Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel IS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt E£2.25	Lebanon $L125.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rgt4.25	Thailand Bt50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh4.00	Turkey L500
Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,328

Friday September 4 1987

D 8523 A

US: Judgment day for a man of the right, Page 20

World News

Military depose president in Burundi

The President of Burundi, Colonel Jean-Baptiste Bagaza, was overthrown by a military coup while he was attending a summit of French-speaking leaders in Canada. Colonel Bagaza had himself come to power in a coup in 1976.

The official radio in the capital, Bujumbura, said that a council for national redemption had taken control under the leadership of Major Pierre Buyoya. Page 22

New Korean violence

Thousands of striking shipyard workers broke into a provincial city hall and set fire to cars in renewed violence in South Korea. Page 22

Philippines killings

Communist guerrillas killed 17 Philippines government soldiers, nearly as many as died in last week's attempted coup. Page 4

Yugoslav rampage

A Yugoslav soldier, an ethnic Albanian, killed four of his comrades and wounded five before committing suicide in a gun rampage at Paracin, south of Belgrade.

Pretoria AIDS alert

South Africa was preparing to repatriate foreign workers found to be carrying the AIDS virus, Health Minister Willie van Niekerk said.

Hart not bowing out

Former Senator Gary Hart said that his withdrawal from the US presidential race had not meant the end of his public life.

Warsaw 'spy' trial

Consular officials were excluded when two Danes, a businessman and a student, went on trial in Warsaw on spying charges.

Air France City flights

Air France said it would begin flights between Paris and the new London City Airport on October 26.

Spanish flood victims

Three children died and three were missing after flash floods in Lerida, northern Spain.

Dialling Moscow

Moscow had recently established direct-dial telephone links with five Western countries - Finland, France, Italy, Austria and West Germany - a Soviet spokesman said.

Americans flee fires

Thousands of residents of rural communities in the western US fled brush fires that had burned nearly 96,000ha.

Soviet Latin link

Soviet Foreign Minister Eduard Shevardnadze would visit Uruguay, Brazil and Argentina after going to Washington this month, officials said in Moscow.

Burma rice pointer

A decision by Burma to lift a 21-year ban on private dealing in rice was interpreted by Western diplomats as a sign of possible changes in the country's authoritarian economic system.

Afghanistan losses

Six people had been killed when a Soviet transport aircraft was shot down in Afghanistan this week, the Soviet newspaper Izvestia reported.

Tambo in Prague

African National Congress leader Oliver Tambo met Czechoslovak leader Gustav Husak on the latest leg of a tour to rally Eastern-bloc support for his battle against the South African system.

Dog shoots man

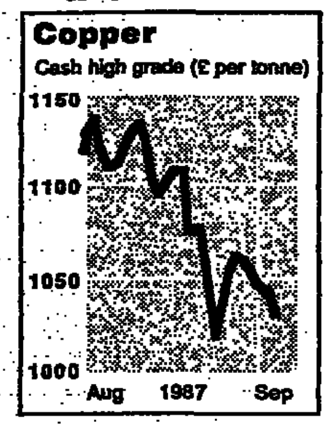
An Irish duck hunter was flown to a Dublin hospital after being shot in the leg when his golden retriever stepped on his shotgun trigger.

Business Summary

Record profit at Lloyd's of London

LLOYD'S of London has declared a record £300m ($492m) profit for 1984, up 68 per cent on the previous year, despite the heavy losses in the US which plagued insurers in the mid-1980s. Page 22

COPPER PRICES fell on the London Metals Exchange for the fifth consecutive day, taking the aggregate decline to £32 a tonne. The cash Grade A position closed at £1,031.50 a tonne, down £12. Page 32



WALL STREET: The Dow Jones industrial average closed down 2.55 at 2,599.49. Page 44

GOLD rose in London to $464.25 from $463.75. It also rose in Zurich to $463.75 from $463.50. Page 32

DOLLAR closed in New York at DM1.7910, Y140.95, FFr5.9955, SFr1.4815. It fell in London to DM1.7935 (DM1.8030); SFr1.4835 (SFr1.4885); FFr6.0025 (FFr6.0350), but rose to Y141.0 (Y140.95). On Bank of England figures the dollar's exchange rate index fell from 100.5 to 100. Page 33

STERLING closed in New York at $1.6580. It rose in London to $1.6580 ($1.6500); SFr2.4600 (SFr2.4550); Y233.75 (Y232.50), but fell to DM2.9725 (DM2.9750) and FFr9.9525 (FFr 9.9575). The pound's exchange rate index rose 0.1 to 73.1. Page 33

BERTELSMANN, West German publishing, music and printing group, expects earnings to move up again this financial year after dropping as expected in 1986-87 as a result of its two big US acquisitions. Page 25

TOKYO: Tateho Chemical's large losses on bond futures contracts sent share prices sharply lower amid concern that other similar cases might come to light. Chemicals, steels and large-capitals were broadly lower. The Nikkei stock average closed 296.72 lower at 25,649.88. Page 44

LONDON: Several good earnings reports and indications that UK interest rates would not rise in the short term lifted share prices higher. The FT-SE 100 index closed up 18.6 at 2,268.1 and the FT Ordinary index rose 11.3 to 1,774.5. Details, Page 40

RADA Corporation, New Zealand investment company, and Fletcher Challenge, international forestry conglomerate, clashed yesterday as a fierce share market fight erupted between them in the New Zealand stock market over future control of New Zealand Forest Products. Page 24

CANADIAN IMPERIAL Bank of Commerce, Canada's third largest bank, announced a substantial third quarter loss after taking into account a previously-reported C$450m charge. The bank's final net loss of C$344.7m (US$255.3) means that the big six Canadian banks together have reported more than C$2.7 bn losses in the latest quarter.

LAURENTIAN Group, one of Canada's fastest growing financial services group and which controls Trident Assurance Company in Britain, plans to convert its Quebec-based savings bank subsidiary into a national banking operation. Page 24

AUSTRAL, Argentine state-owned domestic airline, has been sold for $28m to Cielos del Sur, a subsidiary of the Argentine heavy engineering group Pescarmona-Riva, bringing to a close the country's first major privatisation effort. Page 23

UN Gulf peace mission decision due today

BY ANDREW GOWERS IN LONDON AND ALAN FRIEDMAN IN MILAN

THE UN Security Council is to decide today whether to send Secretary-General Javier Perez de Cuellar to Tehran in a last-ditch effort to secure Iranian compliance with the council's call for a ceasefire in the country's war with Iraq.

Iran earlier this week invited Mr Perez de Cuellar for talks, and many observers think such a visit might provide the only remaining chance of maintaining a dialogue with Tehran and preventing a further increase of tension in the Gulf. However, it is not clear whether an agenda acceptable to both Tehran and to the full Security Council can be drawn up for the visit.

Meanwhile, the Gulf tanker war, which resumed on Saturday after a six-week lull, yesterday continued unabated. Iraq claimed to have hit an unidentified Iranian supertanker and Iranian boats attacked two neutral ships, the Japanese tanker Nisshin Maru and the Italian container ship Jolly Rubino. The latest attacks mean that Iraq claims to have attacked 12 Iranian tankers in the last six days and Iran has attacked eight vessels. At least two seamen have been killed.

Although the captain of the Italian vessel hit yesterday escaped injury, the Italian Government delivered a strong protest to the Iranian Government. The attack, Italian officials believe, was carried out with rocket-propelled grenades from an Iranian navy patrol boat.

The incident comes amid controversy within the Italian coalition Government about whether to send minesweepers to the Gulf. The Italian Cabinet meets in Rome today to discuss the issue, following a call from Defence Minister Valerio Zanone for the immediate dispatch of two minesweepers.

In Tokyo, Japanese seamen and shipowners responded to the attack on the Nisshin Maru - which, ironically, was carrying Iranian crude - by deciding to stop Japanese ships from sailing to the Gulf until tomorrow. However, this is unlikely to become indefinite, since 55 per cent of Japan's oil comes from the Gulf.

In the latest sign of mounting international concern about the renewed attacks on shipping, the European Community (EC) yesterday deplored the hostilities and called for an immediate ceasefire. The statement, issued by Denmark as current EC president, condemned attacks on merchant ships and reaffirmed support for freedom of navigation in the Gulf, which it said was "of utmost importance to the whole international community".

In deciding whether Mr Perez de Cuellar should go to Tehran, the Security Council will be under intense pressure from the US to set tight terms of refer-

Continued on Page 22

Perez de Cuellar: last chance of dialogue

European bankers press for measures to strengthen EMS

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

EUROPEAN COMMUNITY central bankers hope to secure an outline accord early next week on a package of measures to strengthen the European Monetary System.

The package will be discussed by the Community's central bankers in talks after the monthly meeting on Monday of the Bank for International Settlements in Basle.

Senior monetary officials said that some of the details of the proposed agreement have still to be worked out and that differences remain between France and West Germany. The aim, however, is to get a consensus before talks between the Community's finance ministers in Denmark the following weekend.

The wider BIS meeting, which is also attended by the central bank governors of the US and Japan, is likely to focus on the recent decline in the dollar's value.

Mr Karl Otto Poehl, president of West Germany's Bundesbank, will hold bilateral talks on the issue with Mr Alan Greenspan, the new chairman of the US Federal Reserve Board. Mr Greenspan, who will be attending his first BIS meeting, is also expected to meet separately with Mr Satoshi Sumita, the governor of the Bank of Japan.

The monetary officials said that the EMS agreement involvesimproving the management of the exchange rate mechanism, rather than any radical changes to the system. A draft report prepared for the finance ministers concludes that while central banks should strengthen co-ordination of both interest rate and intervention policies to promote currency stability, there is no need for major institutional changes.

At the heart of next week's discussions will be proposals to provide additional financing for so-called intramarginal intervention by central banks. This involves central bank action to support weaker currencies within the system before they reach their maximum permitted limits.

France has been pressing for new rules to allow the use of existing unlimited credit facilities between central banks to finance such intervention. At present, those facilities are only available when a currency hits its official floor. The idea has been opposed by the Bundesbank, however, because it would weaken its control over West Germany's domestic monetary policy.

The compromise now under consideration involves a broad commitment from all the central banks to co-operate more closely when necessary in intervening before a weak currency reaches its official floor. The Bundesbank may accept occasional extension of the existing credit arrangements to cover such intramarginal intervention, but has firmly rejected the idea of automatic and unlimited access.

Next week's accord is also expected to include arrangements to extend the repayment periods for the short-term credit mechanisms between central banks. At present the rules provide for repayment within 45 days after the end of the month in which the credit was extended. The central banks may further agree to raise the present ceiling which restricts the proportion of repayments which can be made in European currency units to 50 per cent of the initial credit.

The officials said that changes would contribute to more effective intervention by central banks, which was needed to counter the risk of increased turbulence within the system flowing from the the liberalisation of capital markets.

The dollar suffered further losses on foreign exchange markets yesterday, hit by pessimism over the US trade deficit. Market rumours that the Group of Five industrial nations planned emergency talks were firmly denied by West German officials but still helped to undermine the US currency.

Peking unveils wide changes in economic policy

BY ROBERT THOMSON IN PEKING

CHINESE leaders have revealed details of plans for a radical new phase of economic reform. The changes, to be introduced in the next decade, include major shifts in agriculture and enterprise policy that will further challenge communist doctrine.

Reformers in the government want an entrepreneurial class to run Chinese factories, farmers to have much larger parcels of land to speed up rural mechanisation, and genuine share issues through which the state will safeguard "socialist ownership" by holding a majority stake.

More dramatically, the leadership has plans to shift the emphasis away from grain production in the relatively prosperous coastal provinces, and rely far more on grain imports. This completely overturns the Communist Party's previous insistence on self-reliance in grain supplies.

The details were revealed this week to a visiting World Bank delegation, which has held discussions on long-term economic strategy with senior leaders, including Zhao Ziyang, the premier and acting party chief, who said that China would "introduce all methods commonly used internationally to develop the commodity economy, but under the condition of socialism."

Some of the changes in the second phase of reform, apparently to be introduced during the 1990s and early next century, depending on the health of the economy, are certain to meet with opposition from conservative communists.

The establishment of a pool of entrepreneurs to run factories and the shift in grain policy are particularly sensitive issues. Even though China has partly introduced a "factory director responsiblity system," many of the new directors running factories are actually party officials.

Chinese leaders indicated that in the next stage of reform they would like entrepreneurs to tender for control of state-owned businesses and then have full responsiblity for profit and loss. And while the Government claims to have issued shares, these are actually bonds and provide no ownership rights.

Grain production has long been a sensitive political issue in China, and the emphasis since the communist revolution in 1949 has been on self-reliance. Some communist officials still measure the country's progress by how much grain is produced each year, and the late Mao Zedong maintained that grain was the key link in China's future.

But the leadership made clear to the World Bank officials that it wants to overturn traditional policy in the interests of making agricultural production more efficient. The intention is to allow coastal provinces, which are major grain producers, to concentrate on cash crops and rural industry, while covering the grain deficit through a marked increase in imports.

Mr Moeen A Qureshi, the World Bank's senior vice-president (operations), said the new programme of changes could be introduced because of the success of reforms introduced in the past nine years. "The first economic phase has produced

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Reuter deal opens way to 24-hour trading in Chicago

By Alexander Nicoll in London and Deborah Hargreaves in Chicago

REUTERS, the UK-based information group, has reached an agreement with the Chicago Mercantile Exchange under which its screens will be used for automated trading of financial futures and options contracts while the Chicago market is closed.

The agreement marks an important step in the trend towards 24-hour dealing of financial instruments. It represents a new approach among futures exchanges, which have so far tackled globalisation through a combination of links with other exchanges and extensions of their floor trading hours.

Moreover, automated trading seems likely to undermine the principle, to which the largest futures exchanges have steadfastly held, that face-to-face "open outcry" trading in the "pits" makes for the most efficient and liquid markets.

The agreement will challenge other exchanges, such as the London International Financial Futures Exchange, which trade interest rate and currency contracts very similar to those of the Chicago Mercantile Exchange. It also appears to deal a blow to the Singapore International Monetary Exchange, since it will compete with the CME's own link with Simex.

The 12½-year agreement with Reuters, expected to take effect by early 1989, has so far been reached in principle and depends on various regulatory approvals as well as a revamping of the CME's clearing system.

CME members and their customers will use a new system, the Reuter Dealer Trading System, which has been under development for three years with a view to use in automated dealing of government securities and currencies.

Reuter screens will display the best bid and best offer prices of CME financial contracts for the 16 hours of the day during which the CME is closed. Traders will deal directly through the screens.

CME officials said the system, which it has dubbed PMT or Post (Pre) Market Trade, was a response to the globalisation of markets.

The three leading Chicago exchanges this week signalled their opposition to these trends when they jointly asked a Federal appeals court to bar Security Pacific National Bank from creating an automated marketplace for domestic government security options. The Federal Reserve Board has approved Security Pacific's plan.

Beatrice looks for $6bn bid for American food division

BY JAMES BUCHAN IN NEW YORK

BEATRICE Companies, the US food and consumer products group which went private last year, is selling its American food operations, the sole remaining division, as the last act in the most drastic and profitable company bust-up in years.

BCI Holdings, the investor group which took Beatrice private in a record-breaking $6.2bn leveraged buy-out earlier this year, said yesterday that it was looking for more than $6bn for Beatrice's US food processing and distribution businesses.

The holding company has hired First Boston, the Wall Street investment firm, to evaluate a "number of inquiries" about the sale.

The announcement is expected to open a fiercely contested auction for the division, which enjoyed revenues of $4.6bn and operating profits of $414m in the year to February.

Analysts expect European companies such as Unilever and Nestle to be bidding strongly against the likes of Coca-Cola and RJR Nabisco.

The sale, which BCI Holdings hopes to complete by early next year, would be a triumph for Mr Don Kelly, the company's 65-year-old chairman, and Kohlberg Kravis Roberts, the Wall Street investment firm which arranged the leveraged buy-out of Beatrice Companies

In a breathtaking and rapid liquidation of the Chicago conglomerate, Mr Kelly and his fellow investors have raised over $5bn from the sale of assets

Most recently, the Australian food business was sold this week for $100m to the local subsidiary of Cadbury Schweppes of the UK.

In a $6bn sale of the US food operations, over $2bn must be set aside for debt repayment, but Mr Kelly and the other investors would still have another $4bn in cash to show for the deal. They put just $417m in equity into the leveraged buy-out and can now expect a 10:1 return in under two years.

Mr David Lang, an acknowledged expert on world food manufacturing at the UK brokerage, Henderson Crosthwaite, said that European companies will "inevitably" be competing for the Beatrice businesses.

Elders plans $2.8bn flotations

BY TERRY POVEY IN LONDON

ELDERS IXL, the Australian brewing, finance, agribusiness and investment group, is planning two major flotations to raise some £1.7bn ($2.8bn) in total on the London stock market.

Mr John Elliott, Elders chairman, said yesterday that the UK flotations were part of an international restructuring of the group which, by next summer, would leave the parent with "A$5bn ($3.6bn) in shareholders funds and no debt".

Mr Elliott said, "We have still a long way to go to get to the top - but this will give us the opportunity to go out and buy another business."

Analysts believe the complex restructuring - involving flotations in London, Hong Kong and Sydney - would free Elders to make bids of up to A$15bn.

The first London move is due in early November, when Elders has set a date with the stock exchange to launch the 5,000 pub estate of Courage, the UK brewer it acquired for £1.45bn last year.

Pubco, the working name of the new property company, will have assets of £1.15bn. The flotation is expected to value Pubco at about £550m, just over half of which would be sold by Elders in a public offering.

The second flotation will be of Elders' brewing interests - Courage in the UK, Carlton in Australia and Carling O'Keefe

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REVIVAL OF THIRD FORCE IN CANADIAN POLITICS

Prime Minister Brian Mulroney faces a serious threat from the New Democratic Party, Page 5

EUROPEAN NEWS

Sceptical eyes on Honecker's West German visit

Leslie Colitt on how East Germans view their leader's historic journey

MANY East Germans expect about as much from next week's visit to West Germany by their leader Mr Erich Honecker as the middle-aged East German taxi driver who just reacted with a shrug of his shoulders.

"What should come out of it?" he remarked, launching quickly into the familiar lament: "Nothing will change for us that's certain." He ended by mumbling that at best Mr Honecker might come back with "some money."

By contrast, when President Honecker is welcomed to Bonn with military honours by Chancellor Helmut Kohl on September 7, it will be the fulfilment of the recognition East Germany has sought from West Germany since the creation of the two states in 1949.

"We are a much stronger, more self-confident state now," ventured an East German official. He suggested the visit could contribute to intensifying the "dialogue" in Europe and to global disarmament. The further the two German states advanced in these areas, he noted, the more improvements could be expected in relations between them.

Only a few years ago it would have been hard to imagine that Mr Honecker's reputation—among West Germans at least—would improve so markedly.

A recent poll of West Germans revealed that while 44 per cent of them still believed Mr Honecker could not be trusted, 58 per cent agreed he was peace-loving (30 per cent said he could be trusted). This is a significant change of opinion about the man who as the Politburo member responsible for internal security was in charge of building the Berlin Wall in August 1961. Mr Honecker's repeated avowal since 1982, that the two German states must assure that a "war may never start from German soil," has apparently had the desired effect.

East Germans are as curious as West Germans about Mr Honecker's five-day visit to West Germany, the first ever by an East German leader. But they appear much less interested in the three inter-German agreements—on environmental protection, nuclear radiation and science—which will be signed in Bonn during the first part of the visit. Instead, when they follow the blanket coverage of the visit on East and West German television, they will concentrate on the way their leader is received by West Germany's politicians and on how the once insecure but now increasingly self-confident Mr Honecker deports himself.

In spite of low expectations about the visit among East Germans some things have already changed for the better.

One million citizens below retirement age will visit relatives and friends in West Germany this year. There were only 50,000 in 1982. Of the 400,000 in the first seven months, only 1,390 chose to remain in the West. Another 1.5m East German pensioners will also travel to West Germany this year.

This widening of the crack in the wall is, however, wholly arbitary, as are most liberalising measures in East Germany. There are no regulations determining who may or may not visit the West. The many who have been turned down without being told the reasons are even more dejected than before such visits were possible for non-pensioners.

East Germany's Foreign Minister Oskar Fischer recently told visiting West German journalists that if relations between the two German states improved, then more visits by East Germans to West Germany could be expected. He added, though, that this was also a "financial question," as more visits cost East Germany more hard curency. Indeed last July East Germany lowered the amount of D-marks its citizens were allowed to purchase for travel to West Germany from DM 70 (£23) to DM 15 annually.

In a display of solidarity the West German Government last week said it would raise the "welcome" money given to visiting East Germans from DM 60 to DM 100 a year.

Just as Mr Honecker's self-confidence has risen in recent years, so has that of some of his fellow citizens. Several East Germans who belong to the small East Berlin Peace and Human Rights Initiative Group wrote an open letter to their leader on his 75th birthday, which East Germany celebrated this month. They called for legal safeguards, a plebiscite on important political questions, a free flow of information and an end to restrictions on travel to the West.

A more typical example, however, of the taut relationship between East Germans and the authorities is on full view outside East Berlin's newly opened luxury hotel for Westerners paying hard currency. Anxious for a peek inside, East Germans pressed their noses against the glass windows, but were not allowed.

When West German radio and television — received throughout East Germany— began reporting the hotel's ban on East German sightseers, a shift in tactics took place. Now, when the lobby is empty, a few East Germans are let inside, but only just inside and only to gaze for a few minutes.

Erich Honecker: Growing in confidence

EC Commission proposes new control on carrying of guns

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission has unveiled plans for restrictions on the transport of weapons between EC member states.

The proposed legislation would pave the way for the unified internal market and the ending of customs checks at borders by the end of 1992 — a target which has raised fears over future enforcement of gun laws, as well as controlling drug-trafficking and other criminal activity.

The Hungerford massacre has served to increase the political pressure for tighter controls.

The Commission's plans, submitted to the EC Council of Ministers last month, and now published in the Official Journal, would prohibit gun dealers from selling weapons to non-residents, if they were not allowed to buy them in their own countries.

They would also require dealers to be officially authorised, and to keep a proper register of firearms bought or sold.

The proposed law does not lay down details of gun licensing, but tries to ensure that lax laws in one member state cannot be used to get round stricter legislation in another.

It would make it illegal for travellers to cross from one member state to another while possessing a weapon, unless member states are properly notified.

The Commission says the relaxation of internal frontier controls means that external frontiers, including ports and airports, must be more strictly patrolled.

The draft legislation faces difficult negotiations by the 12 member states, where police forces and customs are worried about the consequences of removing frontier checks by 1992. However the UK is one of those potentially least affected, because all its borders except that of Northern Ireland are external as well as purely EC frontiers, allowing controls to be maintained.

More air chaos threatened

BARCELONA'S air traffic controllers, unmoved by pleas from hoteliers and by promises from the civil aviation authorities and the main air controllers union, were set to stage a 24-hour strike starting tomorrow at 8 am. The strike, in support of back pay demands, will, inevitably, severely disrupt flights

The return to strike action came after the Barcelona employees alleged that the talks did not amount to a firm commitment by the authorities to favourably review their case. The decision to maintain the dispute indicated that ACECA, a union to which only a third of the Barcelona controllers belong, had been outflanked by militants.

Tougher UK product law urged

BY WILLIAM DAWKINS IN BRUSSELS

BEUC, the bureau of EC consumers' associations, yesterday put pressure on the European Commission to force Britain to toughen up new product liability laws.

The bureau wrote to Lord Cockfield, the European Commissioner responsible for the internal market, expressing alarm at the way Britain and some other member states are implementing in national law a two-year-old EC directive on product liability. The directive is intended to give consumers automatic redress against producers for death or injury caused by defective goods.

Beuc claims that the UK's recently passed consumer protection Act gives inadequate safeguards for people who get hurt by products that could not scientifically be proved unsafe at the time, new drugs being the most obvious example. The EC directive does allow manufacturers to cite this so-called "development risk" as a defence in product liability court actions, but Beuc argues that UK legislation gives them wider scope to do so than the Commission intended.

Mr Tony Venables, BEUC's director, warned that the effect would be to weaken consumer protection standards already established in UK case law. This would also set an undesirable precedent for other member states, like Denmark, the Netherlands and West Germany, which are now framing — what BEUC fears are inadequate — national laws to comply with the EC directive. All Community countries are obliged to change their laws in line with the new EC product liability rules by the middle of next year.

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Prosecutor demands 8 years jail for Rust

BY PATRICK COCKBURN IN MOSCOW

A SOVIET prosecutor yesterday demanded an eight year jail sentence for Mr Mathias Rust, the 19-year-old West German pilot who landed a small plane in Red Square.

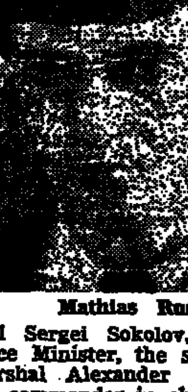
Mr Rust, whose trial at Miscow's Supreme Court is due to end today, is accused of violating international flight rules, malicious hooliganism and illegally crossing the frontier.

In the face of questioning from the judge yesterday Mr Rust maintained tha the decided to come to Moscow to see Mr Mikhail Gorbachev, the Soviet leader, to talk about peace. He denied that he had flown to Moscow for fun.

The prosecution produced witnesses to prove that Mr Rust had violated international flight regulations, endangered people in Red Square and was in any case without a visa to enter the Soviet Union.

"My first instinct was to duck," said Mr Andrei Molokoyedov, a policeman who was standing close to St Basil's cathedral when the plane appeared overhead.

"He is a hooligan," said Mr Vladimir Andreyev, the state prosecutor, in demanding a heavy sentence. Diplomats expect, however, that whatever the decision of the court, Mr Rust is likely to be expelled from the country soon after the trial is over.



Mathias Rust

Unmentioned by anybody at the trial are the political consequences of his flight. These include the retirement of Marshal Sergei Sokolov, the Defence Minister, the sacking of Marshal Alexander Koldunov, the commander in chief of air defence, and the departure of another 18 generals.

Mr Rust's unimpeded flight across 500 kilometres of Soviet territory was the occasion, rather than the cause, of this radical shake-up in the armed forces. As a result the Soviet authorities have had to take his escapade very seriously.

"Could you repeat your flight?" asked Mr Andreyev at one stage in yesterday's proceedings.

"Today I don't have the convictions I had 14 weeks ago," Mr Rust said, nervously running his fingers along the front of the dock.

France cuts VAT rate on cars and motorcycles

BY PAUL BETTS IN PARIS

THE FRENCH Government reduced yesterday value added tax on cars and motorcycles from one of the highest levels in the European Community of 33.3 per cent to 28 per cent.

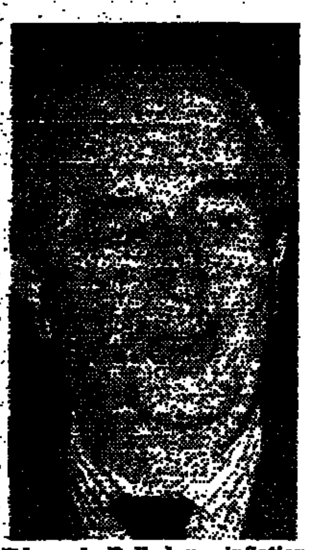
The measure, announced by Mr Edouard Balladur, the finance and economy minister, follows an even larger cut on the VAT rate on French records and cassettes from 33.3 per cent to 18.6 per cent and is clearly intended to help bring down the perceived rate of inflation in France. Mr Balladur said at the weekend that the rate of inflation had been upwardly revised to a little more than 3 per cent for 1987.

The latest VAT cut was announced after the first post-holiday meeting of the Chirac government and reflects the growing urgency of preparations for next spring's presidential elections.

The cut on VAT on cars was immediately applauded by the French car industry and consumers. Car prices are expected to decline by about 4 per cent as from the second half of this month, according to industry officials.

The VAT cut will cost the government FFr 6.2bn in lost revenues over a full year and between FFr 1.5bn-FFr 1.7bn between now and the end of this year. The cut will also apply to hired cars and to leased vehicles.

The cut is expected to boost further the recovery in the French car market which is expected to top the 2m new registrations this year from 1.9m last year and 1.77m the year before. It also coincides with the financial recoveries of the country's two car manufacturers, the private Peugeot group and the state-owned Renault group.


Edouard Balladur: inflation rising.

Ford-France predicted yesterday that the VAT cut would boost sales by up to 10 per cent over earlier estimates, or about 60,000 additional cars.

The French car industry has for years campaigned against the high level of VAT on cars in France, claiming that it handicapped domestic sales. Renault dealers meeting for their twice yearly convention yesterday applauded the news when it was announced to them by Mr Raymond Levy, the Renault chairman.

Car industry officials said the cut was a first step towards aligning France's VAT on cars with the rate in other European countries. "Finally, the motor car will no longer be treated like a luxury product," remarked another official. The current VAT rate on luxury products in France is also 33.3 per cent.

Echoing the French car industry's concerns over the eventual harmonisation of VAT rates in the European Community with the advent of the European unified market in 1992, Mr Jacques Calvet, the chairman of Peugeot, said earlier this week that it was essential that the harmonisation of VAT rates did not create competitive distortions in the European car market. He argued strongly in favour for a similar VAT rate in all European Community countries and expressed his opposition to proposals of setting up a snake mechanism for VAT like that for European currencies.

Mr Raymond Ravenel, president of the French car manufacturers association, also welcomed the government's decision saying that it enabled France to reduce the VAT differential with other Common Market countries. He emphasised that in West Germany, Europe's largest car market, the VAT rate was only 14 per cent.

Turkey's trade unions grow more militant

By David Barchard in Ankara

ORGANISED LABOUR in Turkey appears to be growing more militant despite claims by union leaders that laws passed by the military in 1983 prevent effective union activity.

According to figures released by the Ministry of Labour and Social Security this week, more workdays have been lost through strikes already this year than in any year since 1977, including the two troubled years before the military coup in 1980.

The ministry says 1.3m workdays have been lost in 113 strikes in seven months. This compares with 234,000 days lost in the whole of last year in 21 strikes.

It now seems certain that 1987 will be Turkey's worst-ever year for industrial stoppages. However the disputes do not seem to be as widespread as they were before 1980 when many strikes were said to be politically-motivated.

A strike in Turkey's state-owned main aluminium plant at Seydisehir recently ended after two months with wage settlements of between 20 and 25 per cent.

Unions are subject to strict state inspections and are not allowed to engage in any political activity.

The main left-wing confederation, DISK, remains banned, following a six-year trial in a martial-law tribunal in which 50 of its leading figures were arraigned with a demand for the death penalty.

However its leading figures are all now out of prison.

Ian Davidson looks at contenders for next year's presidential joust

Mitterrand returns to spotlight

MR ROLAND DUMAS has made a "personal" prediction that President Francois Mitterrand will stand again in next spring's presidential elections. Mr Dumas should know: not merely was he French Foreign Minister until the defeat of the socialist government in last year's general elections, he is also reputed to be one of Mr Mitterrand's closest associates.

In itself, it is not a particularly startling prediction, especially since Mr Dumas hedges it around with cautious reservations. Mr Mitterrand's candidature, he points out, somewhat superfluously, "will only be certain the day he has decided on it." And yet it is almost certainly a finely calculated intervention in the new political season, designed to bring the spotlight back to the President.

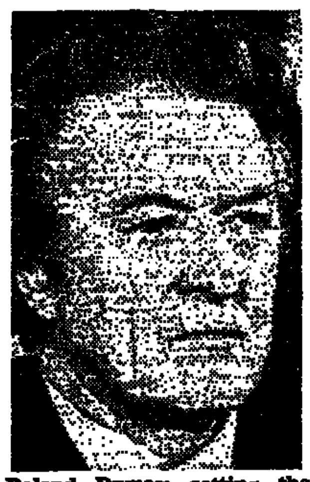
Since the return from the summer holidays, lesser politicians of every stripe, both left and right, have been cantering up and down outside the lists, suggesting either that they will enter next year's presidential joust, or that they may do so in certain circumstances, or indeed that they will soon generously withdraw in favour of some other friendly and better-placed candidate. And yet the only candidacy which is really important, and which may well determine the outcome of the elections, is that of Francois Mitterrand.

For the moment, the various contenders are limiting themselves to the politics of gesture. But that is perhaps the inevitable consequence of the twin features of France's current political arangements: a Presidential constitution, in which (as last year's general elections demonstrated) the President does not necessarily hold all the reins of political power, and a two-stage voting system which provides the maximum incentive for flirtation and exhibitionism beforehand.

On the left, Jean-Pierre Chevenement, the education minister of the socialist government, has just declared his pretensions to the presidency—but only if Mr Mitterrand himself does not stand. Since Mr Mitterrand's candidacy has long seemed probable, political commentators have tended to interpret this particular pirouette more as an early bid to run in 1995, than as an attempt to upstage Mr Mitterrand this time.

Michel Rocard, the former agriculture minister and a right-winger in the socialist party, appears to have a more ambiguous position; he has long shown the strongest indications of his presidential ambitions, but he is not yet committed to run. When asked to define his attiude if Mr Mitterrand should run again, he has said no more than that it would be "respectful"—which is merely a way of not answering the question.

On the right the number of plausible candidacies seems to be diminishing slightly. Shortly before the summer holidays, Francois Leotard, the bustling leader of the centrist Republican Party, had a brief run-in with Jacques Chirac, the prime minister and leader of the Gaullist RPR party, and hinted that he might enter the presidential lists. Since then he has evidently had second thoughts: somewhat melodramatically, he has fixed a later date for announcing the withdrawal of his non-candidacy, but he has rather spoiled the effect by making it clear already that he will support Raymond Barre, formerly prime minister under President Giscard d'Estaing, as the candidate of the UDF centrist grouping.


Roland Dumas: setting the poll scene for Mitterrand.

Since the return from the summer holidays, right-wing politicians have been trying to argue that they are now less divided than the left. The claim is debatable but in any case is likely to become less true the closer we get to the presidential elections next spring, because the most plausible hypothesis suggests that there will be four heavyweight candidates, and three of them will be on the right: Mr Barre for the UDF (though currently claiming to float above the vulgar fray); Mr Chirac for the Gaullists (and never a man to claim to float above any fray); and Jean-Marie Le Pen, the leader of the ultra-right Front National, and instigator of many a fracas. Hence the importance of Mr Mitterrand's decision; for if he stands, it seems likely that other socialist contenders, including Mr Rocard, will stand down.

During the first half of this year it seemed likely that Mr Mitterrand would stand not merely because he seemed likely to win, but because he seemed the only left-wing candidate with a strong chance of winning. Mr Barre has long seemed somewhat stronger than Mr Chirac as candidate of the right, but a July poll suggested not merely that Mr Mitterrand would run well ahead of Rocard, but would also convincingly defeat either Barre or Chirac.

During the summer holidays, poll support for President Mitterrand seemed to have faded slightly, but the latest poll by IFOP suggests that his popularity has recovered, with a favourable rating of 52 per cent. Mr Chirac's positive rating, by contrast, has slumped to 35 per cent (his worst score since he became prime minister in April last year), while Mr Barre's score has slipped from 53 to 49 per cent.

Centre-right politicians are currently emphasising the virtues of unity, even though a battle royal between Chirac and Barre is an absolutely certain feature of the forthcoming campaign. By the same token, most of them tend to treat the presidential election as a self-contained event, because they do not care for the dilemma which they may face if President Mitterrand stands again and wins.

A common assumption is that he would then immediately dissolve the National Assembly in the hope of recovering a favourable parliamentary majority. But an alternative hypothesis is that, at least for an interim period, he might seek to create a centre-left majority in parliament, by wooing some of the elements of the UDF centrist grouping.

Poor outlook for workers of the world, says ILO

WORKERS' prospects remain generally gloomy around the world, with 31m jobless in industrialised nations, and many developing countries growing poorer as incomes fall, the International Labour Organisation said yesterday, Reuter reports from Geneva.

The latest volume of the ILO's World Labour Report said government policies for fighting inflation through restricting economic growth and demand for goods were partly to blame for persistent high unemployment in the main advanced states.

Other causes were rapidly rising labour costs and rigid labour markets slow to adjust to changing conditions, it said.

"Restoring full employment is the principal challenge confronting the industrialised market economy countries, where more than 31m people are out of work," the report said.

It advocated more active government policies to stimulate consumer demand, coupled with wage moderation by workers, as a way to create jobs while keeping inflation in check.

The report said real wages of most workers in Latin America and African countries south of the Sahara had fallen by up to 40 per cent.

Big Nato exercise to show off conventional capability

BY DAVID BUCHAN

NATO IS to stage later this month a six-nation exercise involving nearly 80,000 troops called Certain Strike, timed to demonstrate the West's conventional military capability just as the alliance looks likely to lose its medium-range nuclear missiles in an arms control deal with Moscow.

General Sir Martin Farndale, who will command the exercise as commander of Nato's Northern Army Group, said it would involve the largest movement of US troops to Europe since the 1944 D-Day landings. The Third US Army Corps would be used to reinforce German, British, Dutch, Belgian and French forces seeking to repel a hypothetical Warsaw Pact strike across the vulnerable flat north German plain.

Certain Strike will also be the first occasion on which French forces have taken part in a Nato exercise on the central front, though French participation will be limited to the provision of 200 special forces as a reconnaissance group. France, which pulled out of Nato's military structure in 1966, has recently been participating in many Nato exercises, and is at the moment fielding the largest single number of ships—22—in the Ocean Safari naval exercise in the eastern Atlantic.

The planning of Certain Strike, which is part of the annual Reforger manoeuvre which practices the speedy return of US forces to West Germany in time of tension or war, started two years ago. Its holding is therefore unconnected with the current US-Soviet arms control talks in Geneva which appear to be wrapping up final details of a treaty to remove all medium-range missiles from Europe.

But Nato commanders are worried that such a treaty will weaken the alliance's flexible response strategy of trying to meet any Warsaw Pact threat with an appropriate response. They believe Nato's deterrent needs to be demonstrated now more than ever by conventional exercises such as Certain Strike, and possibly certain new types of air-and-sea-launched missiles to replace any land-based missiles withdrawn under a treaty.

General Farndale said the exercise would also be the first occasion on which the US had agreed to let its reinforcement of Europe be commanded by a non-US general. The trickiest part of the manoeuvre would involve the movement of American troops through West German logistics lines to the Hanover area.

Guerrillas kill 27 soldiers in Philippines

BY ROGER MATTHEWS IN MANILA

COMMUNIST guerrillas in the Philippines yesterday killed nearly as many Government troops as died in last Friday's attempted military coup.

At least 27 soldiers were killed in a series of attacks by the Communist New People's Army. During the Manilla rebellion the toll, according to latest figures, was 31 fatalities on both sides. In the latest attacks, the worst incident came in a mountain village east of Manilla where an estimated force of 200 guerrillas ambushed an army detachment killing 21 soldiers.

The New People's Army had been expected to exploit of the disarray among both military and Government in Manilla to step up the level of insurgency. Apart from the propaganda benefits accruing to the Communists, senior army officers are *also concerned that* by pulling in additional troops to guard the capital its strength in some provinces has been seriously weakened.

Additional forces have also had to be deployed in the still fruitless search for Col. Gregorio Honasan, and the other officers leading the military rebellion.

A military spokesman said that Government troops had enjoyed some success yesterday, *claiming to have killed 64 guer*rillas, most of them in the southern province of Mindanao.

General Fidel Ramos, the Chief of Staff, warned earlier in the week that, despite the coup attempt, the greatest single threat to the stability of the country was the communist insurgency. But the army's ability to combat the threat is hampered by a serious shortage of equipment and the difficulty of motivating men whose pay *levels put* them on the official poverty line.

Moslems strike back at Tamils as official dies

SUSPECTED Tamil gunmen killed a Moslem government officer in eastern Sri Lanka yesterday and Moslem residents retaliated by at*tacking Tamil* shops and *setting* fire to offices of the Tamil Tigers militant group, Reuter reports from Colombo.

Authorities clamped a curfew on the town of Mutur near the eastern port of Trincomalee after the violence and residents said Indian *peace-keeping troops were patroll*ing the streets.

Mr Habeeb Mohamed, assistant government agent for Mutur, was *shot by three men as he went to a* mosque for prayers, a military spokesman said.

The attack was the first on a Sri Lankan official since a July 29 peace accord ended four years of fighting between Tamil separatist guerrillas and government forces in *which more than 6,000 people died.*

It was also the first outbreak of violence between the area's large Tamil and Moslem communities *which have to decide whether* they can live together under virtual self-rule according to the provisions of the peace pact.

The military spokesman and residents said Moslems retaliated by attacking six shops owned by Mutur's predominantly Hindu Tamil community and set fire to two offices of the Liberation Tigers of Tamil Eelam, the most powerful separatist group.

Under *the Indian-backed peace* accord, the Tamils have been offered a near-autonomous joint administration for the northern and eastern provinces where most of them live.

But the eastern province has large Moslem and Sinhalese minor*ities and has previously* witnessed Tamil-Moslem tension.

Tamil militants are concerned that the peace pact provides for a referendum in the eastern province by the end of 1988 to let inhabitants decide if they want to stay united with the overwhelmingly Tamil north.

Thorny task ahead for UN Secretary-General

BY ANDREW GOWERS, MIDDLE EAST EDITOR

IF Mr Javier Perez de Cuellar, the United Nations Secretary-General, takes up an Iranian invitation to visit Tehran this month to discuss UN efforts to secure a ceasefire in the Gulf war, he will be embarking on one of the most difficult and delicate missions he has yet *undertaken.*

Mr Perez de Cuellar

Any residual hopes that Iran might be coaxed into giving serious consideration to July's UN Security Council resolution calling for an immediate end to hostilities between Iran and Iraq now rest on Mr Perez de Cuellar's good offices.

Since the ceasefire resolution was passed unanimously nearly seven weeks ago, Tehran has played for time, neither accepted nor rejected the resolution. The Iraqis signalled that they had lost patience with such tactics by resuming attacks on Iranian tankers last Saturday, and Washington has made clear this week that its own forbearance is wearing very thin.

Nonetheless, there are still those — including Italy and West Germany, the current and immediate past chairman of the Security Council — who argue that Iran has been showing signs of increasing flexibility over the Gulf conflict in response to international pressure. And if there is any substance to these indications, Mr Perez de Cuellar seems the best man to investigate.

In fact, despite the Iranians' incessant fulminations against the UN Security Council in the last few years, it has usually reserved kind words for the efforts of the Secretary-General.

Ever since the beginning of the war, Tehran has regarded the Security Council as a hopelessly biased and compromised interlocutor, and boycotted its deliberations on the conflict. It was angered by the body's failure, in its first pronouncement on the conflict, Resolution 479 passed in September 1980, to name Iraq as the aggressor, despite the fact that it was Iraq that was widely seen as having started the war by cancelling a treaty with Iran, and invading its neighbour.

The Iranians were further infuriated by what they saw as one-sided condemnations of Iran, and reluctance to censure Iraq for attacking ships in the Gulf.

For all these reasons, effective UN activity over the war has tended to devolve to the Secretary-General, or in earlier years to his special representative, the late Swedish Prime Minister Olof Palme. The Iranians have found their relationship with the Secretary-General to be a suprisingly useful one.

Mr Kurt Waldheim, Mr Perez de Cuellar's predecessor, first tried mediating between Iran and Iraq in late 1980 over the substantial number of ships trapped in the Shatt al-Arab waterway. This attempt failed. The current Secretary-General has, however, had more success; he managed to halt the so-called "war of the cities," in*volving attacks by both sides* on civilian areas, for a while in 1984; and he found evidence to support Iranian complaints that Iraq was conducting chemical warfare.

More ambitiously, he subsequently developed an eight-*point plan, involving a step-by*-step approach towards a negotiated settlement to the conflict. That foundered, but at least the attempt illustrated that Mr Perez de Cuellar had been accepted as a reliable mediator between Iran and Iraq. Mr Ralph King, an Australian academic, concludes in a recent paper for the US Ford Foundation that the Secretary-General, despite his limited achievements, has emerged as "the *only effective go-between.*" The Iranians appear to concur.

Nonetheless, if they hope to conduct real negotiations with Mr Perez de Cuellar in Tehran in the next few days with a view to reshaping the recent UN Security Council resolution, or building on what they regard as its more positive elements, they may be in for a disappointment. The Secretary-General is unlikely to have a very flexible mandate: if the Reagan administration and its allies have their way, he will be in essence seeking a simple "yes" or "no." The hopes for a diplomatic breakthrough, or for effective UN action to enforce the Security Council resolution, still look slim indeed.

Joan Wucher King argues that the problem of the Kurds will outlive the Gulf War

Kurdish rebels challenge both Iraq and Iran

THE KURDISH factor in the Iran-Iraq war has been overshadowed by fighting in the Gulf and on land. But the Kurds *through* their *problems* have had an impact on countries in the region with interests in this war. Even peace is unlikely to bring a *solution.*

In August, Iranian forces began a new penetration of border areas held by Iraqi Kurdish rebels armed and supported by Tehran. Towards the end of the month, the Turkish authorities detained 95 Iranian Revolutionary Guards who had crossed into Turkey on the way to joining Kurdish guerrillas in northern Iraq.

Co-operation between the *Iranian military* and Iraqi Kurdish rebels has been one of Tehran's strategic successes in the land war with Iraq. The long-term implications of this strategy are less clear, however, for the region and its estimated 20m Kurds.

Since the beginning of the war, Iran and Iraq have supported each other's Kurdish rebels, reactivating a game of political football which unsettled the internal situation in both countries before 1975. In that year, weary of the activities of its Kurdish rebels, Iraq signed the Algiers Accord with the Shah of Iran.

To secure the Accord, the Shah agreed to stop aiding Iraqi Kurds in exchange for Baghdad's recognition of Iranian claims to the Shatt al-Arab waterway. In Baghdad's view, this was a concession forced on them by the Shah's manipulation, with Western help, of the Kurdish situation.

The Accord brought Iraq five years of relative peace in the Kurdish areas. The main Kurdish party, the Kurdish Democratic Party (KDP) split and a period of competition between Kurdish factions handicapped their movement.

Soon after the war began in 1980, the alliance betwen Iran and Iraqi Kurds was reactivated. Iran's hold on Iraqi Kurdish territory since then has been effected wth the help of the two main Kurdish groups, the KDFP under Masoud Barzani and the Patriotic Union of Kurdistan (PUK), led by Jelal Talebani.

Iraq has not enjoyed parallel success with Iran's Kurds. It backed them more sporadically and cautiously before 1975, and *its efforts since 1980 have been* hampered by the military weakness of the Kurdish movement in Iran. In the war of the Kurds, Iran is showing a distinct edge.

Baghdad soon faced difficulties in containing a military posture against Iran in the east. In 1983, it allowed Turkish troops to cross into northern Iraq, ostensibly *in "hot pursuit"* of Turkish Kurdish rebels who have bases there. *However, Iraqi Kurds speak of* a more general level of Turkish military activity against their *own* forces.

Turkey *itself* has a serious Kurdish problem. There have been *two massacres of civilians* in Turkey this summer by units of the Kurdish Workers' Party (PKK), an extreme left-wing Kurdish group. Ankara suspects the PKK may have bases in Syria as well as Iraq, and has made its feelings known to Damascus.

At the same time, Turkey's efforts to control rebel activity originating in Iraq has been complicated by Ankara's desire to maintain a position of strict neutrality in the Iran-Iraq war. It has assured Tehran that its actions in Iraq are not aimed at relieving the military pressure on Baghdad, and that political and military activity by Iranian Kurdish exiles in Turkey is strictly forbidden. Despite these assurances, Tehran remains *sceptical of Turkey's intentions.*

There has been a steady increase in Kurdish operations in Iraq since the collapse of autonomy talks between the government and the PUK three years ago, including assaults on military bases and supply lines, and an attack on the oil facilities at Kirkuk which lie in the heartland of Kurdish Iraq.

Kurdish guerrillas: regional force or exploited people?

Baghdad has responded with a resettlement campaign aimed *at bringing large numbers of* Kurdish civilians into government-controlled areas. This has proved to be a profoundly unpopular policy. Kurdish spokesmen say there are now some 16,000 Kurds in Iraqi jails, and speak of the widespread use of chemical warfare by Baghdad.

Last July, all five Iraqi Kurdish parties united in a front *organisation* which will *press for a Kurdish state* confederated with a future democratically-elected Iraqi government. In so far as their immediate and prime focus is the removal of President Saddam Hussein from power, the front shares a complete identity of purpose with Iran.

In the land war, Iran is hoping to use Iraqi Kurds to build on the advances made earlier this year, and spread *outwards from* its *footholds* in the mountain regions. Iraqi Kurds provide the Iranians with intelligence and scouts, but would prefer the Iranians to concentrate their advances in areas beyond *secure* Kurdish control.

Iraqi Kurds see two possibilities emerging from an Iraqi defeat in the war: Turkey taking control of its former territories in northern *Iraq* and Iran taking the south, or ideally, the emergence of a democratic government in Baghdad with whom the Kurds would then federate.

Despite Turkey's oppression of Kurdish nationalism on its *own soil*, Iraqi Kurds feel confident that Turkey's desire for EC *membership will eventually* force it to accommodate Kurdish aspirations. Given the recent serious Kurdish incidents in Turkey, Ankara's potential to control northern Iraq remains hypothetical, and it is difficult to see *Iran* tolerating a NATO member's presence there.

Tehran has *no* sympathy with Iranian Kurdish nationalism, and its marriage of convenience with Iraqi Kurds would be unlikely to survive an Iranian victory. A victorious Baghdad would have to tread a very long military, political and diplomatic path to resolve its differences with Iraqi Kurds.

Brazil to seek 'new debt' conversion

BY ANN CHARTERS IN SAO PAULO

BRAZIL'S Finance Minister, Mr Luiz Carlos Bresser Pereira, announced on Wednesday before his departure for Europe that he and other Ministry officials would propose to private creditors over the next week that half of Brazil's medium- and long-term debt of $68bn be converted into 'new debt.'

This would consist of government bonds carrying a Brazilian Government or international agency guarantee and incorporating an estimated 25-30 per cent discount reflecting the value of Brazil's debt on the secondary market.

The remaining "old debt" would be negotiated along traditional lines with a variety of options for banks to choose from, ranging from new money to interest capitalisation.

Mr Bresser is due to speak *today at an International* Debt conference in Vienna and then flies to Washington at the invitation of US Treasury Secretary Mr James Baker.

Other finance ministry officials are due to continue informal talks with private banks in Europe, the US and Japan over the next week on Brazil's latest idea on the debt renegotiation. They will then return to Brazil to hammer out a final proposal format to present to bank creditors in New York later this month.

These visits to test the waters of current private bank thinking are expected to include details on the proposed bond which could incorporate a discount either in fixed interest rates for long-term bonds or on the face value of the bonds with interest at market rates.

According to an interview with a Sao Paulo newspaper, Mr Bresser said that "only the new debt" would be eligible for conversion to risk capital. The government does not expect, however, that debt conversion policies would be included in the upcoming debt negotiations.

White House denies Nitze to succeed Adelman

By Lionel Barber in Washington

THE WHITE HOUSE yesterday denied a report that President Ronald Reagan had decided to offer a top arms control job to his veteran arms negotiator Mr Paul Nitze.

The Washington Times, the conservative daily, said that Mr Reagan and his closest advisers met last week and elected to offer Mr Nitze the post of director of the Arms Control and Disarmament Agency (ACDA), replacing Mr Kenneth Adelman who resigned last July.

The newspaper reported that several ACDA officials, as well as Lt General Ed Rowny, special arms adviser to the President, would resign if Mr Nitze, 80, accepted the Administration offer.

The critical tone of the report suggested that conservatives may be attempting to spoil any chance of Mr Nitze being appointed. Mr Nitze is one of the most experienced arms negotiators in the US, having served in every Administration since President Roosevelt. Hard-line con*servatives have suggested he* is willing to bargain with the Soviet Union on the Strategic Defence Initiative (SDI).

US monopoly law enforcement defended as 'alive and well'

BY NANCY DUNNE IN WASHINGTON

MR CHARLES RULE yesterday used his first press conference as assistant attorney general to insist that anti-trust enforcement in the Justice Department was "alive, well and thriving."

The new anti-trust chief, answering charges that "anything goes" in merger enforcement under the Administration of Mr Ronald Reagan, said critics had "wrongly interpreted a change in enforcement patterns as a failure to enforce the laws."

Past anti-trust actions, he said, had done "more harm to competition and consumers than good" but the Administration was redirecting its efforts towards "conduct that truly harms consumers."

Clearly, Mr Rule is unlikely to depart from the Administration's contention that competition in the international market place has rendered much anti-trust action unnecessary.

"We can no longer afford to attack American companies that are using innovative techniques to keep costs and prices down," he said. "Even if we wanted to use the anti-trsut laws to attack companies simply because they're big, effective competitors—and let me stress, we don't want to—the courts would toss us out on our ear."

Instead, the 32-year-old lawyer, presenting an image of youthful vigour in shirtsleeves and red braces, spoke repeatedly of his intention to prosecute and imprison "criminals" guilty of price-fixing and bid-rigging.

In fact, he even plans to pursue organised crime through the use of anti-trust laws.

Currently, he said, most of the division's efforts were concentrated on bid-rigging in government procurement, in particular in defence contracts.

Departing from a customary reluctance to discuss ongoing investigations, he said that of the 146 grand juries which were investigating charges, 35 were now looking at government procurement cases in areas ranging from "bread to batteries, from milk to military aircraft."

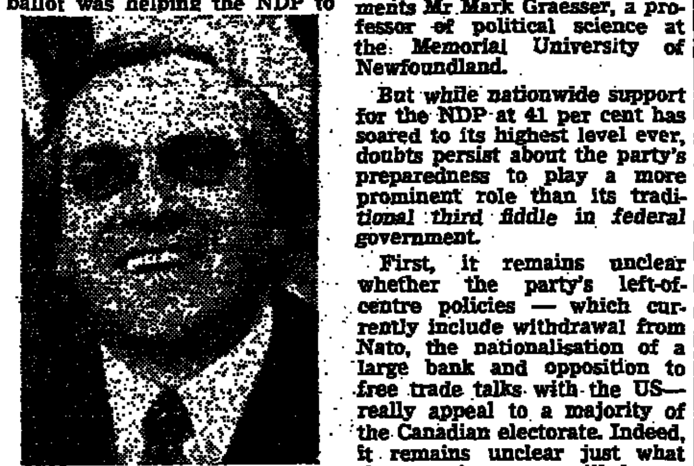
Buoyant NDP needs to broaden support

David Owen looks at the prospects for Canada's New Democratic Party, which is ahead in the polls for the first time in its history

MR BASIL SEARS, now 65 and *a 37-year veteran of the* Newfoundland Fisheries Board, has been a staunch Conservative all his life. "I have been a Tory voter since the first of April 1949 when Newfoundland decided to join the confederation of Canada," he says.

On July 20, at the federal by-election in the St John's East riding, Mr Sears voted for the New Democratic Party. "I was very disappointed with Brian Mulroney and his cohorts who are dancing to the tune of President Reagan and the US," he *explains.*

Throughout this vast and sparsely populated country people are voicing similar views. On the same day that Mr Sears' ballot was helping the NDP to victory in Newfoundland, more than 3,000 miles away in the Yukon territory, the party was ousting the Tories from a seat they had held for 29 years.



Ed Broadbent: discarded his baggy corduroys.

The retention of an existing NDP seat in the steel town of Hamilton rounded out a clean sweep of by-election victories. For the first time since its foundation as the Co-operative Commonwealth Foundation in Regina, Saskatchewan in 1933, the NDP is emphatically the most popular party in Canada.

Observers point to two simple *explanations for the* party's remarkable revival from the depths of 1984 when pre-election opinion polls put its support at a meagre 11 per cent. The first is the growing popularity of Mr Ed Broadbent, the NDP leader, the second is the lack of popularity of his two rivals: Mr Brian Mulroney, the Conservative Prime Minister, and Mr John Turner, the Liberal leader.

Mr Broadbent, the Havana cigar-smoking son of an Oshawa carworker, has gone from strength to strength *since discarding* the baggy corduroys, which were once his most distinctive trademark, for a decidely nattier selection of business suits. The former academic, whose off-duty interests range from Johann Sebastian Bach and Albert Camus, has also learnt to control his fiery temper. His latest rating, taken from a late-May poll by Toronto's Goldfarb Consultants, is a startling 57 per cent.

By contrast, even recent relative successes such as the Meech Lake accord and the Finance Ministry's generally well-received tax reform package have failed to bolster the scandal-torn Mulroney administration's lacklustre ratings. And the once all-powerful Liberals—now reduced to a rump of 40 seats in the House of Commons against 33 for the NDP and over 200 for the Tories—are widely perceived as a ship without a rudder under the thoroughly decent but utterly uncharismatic Mr Turner.

"Canadian politics at the national level has become purely leader-centred," comments Mr Mark Graesser, a professor of political science at the Memorial University of Newfoundland.

But while nationwide support for the NDP at 41 per cent has soared to its highest level ever, doubts persist about the party's preparedness to play a more prominent role than its tradi*tional third fiddle in federal* government.

First, it remains unclear whether the party's left-of-centre policies — which currently include withdrawal from Nato, the nationalisation of a large bank and opposition to free trade talks with the US—really appeal to a majority of the Canadian electorate. Indeed, it remains unclear just what the party's stance will be on a number of key issues. Its hefty 269-page book of policy resolutions is in the process of being "updated" ahead of the next general election campaign, due by 1989. Until the rewrite is completed, no one will know precisely how radical a platform the party intends to adopt.

Another unknown is the depth of NDP support outside its western Canadian heartland. While the party controls Manitoba and Yukon and forms the main opposition in Saskatchewan, Alberta and British Columbia, it gained influence in the industrial powerhouse of Ontario only when a minority Liberal government broke a Tory stranglehold on power in 1985. In French - speaking Quebec the party has never elected an MP—Tory defector, Mr Robert Toupin, has at last provided parliamentary presence—and received just 9 per cent of the vote in the 1984 election.

In pursuit of this aim, the party recently decided to beef up its election budget to C$8m from C$2.7m in 1984. But in stepping up its attempts to lure disenfranchised Quebec separatists, say, or Toronto's slew of Yuppie intellectuals, the party must take care not to alienate its traditional power base in the resource-oriented western provinces.

Finally, voters may be deterred by the inexperience of the party's key personnel. Nobody among its current clutch of MPs has ever served in a federal or provincial cabinet, although foreign affairs spokesman, Ms Pauline Jewett, was a Liberal MP under Lester Pearson in the mid-1960s.

Accordingly, a search is on to dig up high profile potential candidates, particularly in Ontario and Quebec. Candidate nominations have been put on hold until February 1988 to give the searchers more time.

Proposals on Falklands to be conveyed to London

BY TIM COONE IN BUENOS AIRES

MR GEORGE FOULKES, the British *Labour Party front*bench spokesman on foreign affairs, will pass on "at least two new proposals" on the Falkland Islands from the Argentinian Government to the British Government following a visit to Buenos Aires this week.

Mr Foulkes met the Argentine deputy foreign minister, Mr Jorge Sabato, and other senior foreign ministry officials.

In private, senior Argentine officials admit that the *unresolved sovereignty dis*pute with the UK over the islands is hindering its relations in other spheres, especially economic ones.

Mr Foulkes said that during his meetings "the word sovereignty was barely mentioned."

The proposals Mr Foulkes will take to Sir Geoffrey Howe, the Foreign Secretary, may include an arrangement to share policing duties and licensing responsibilities in the fisheries around the islands up to the 200-mile limit of the economic exclusion zone, and for British approval to be granted for an *Argentine family to settle on* the Falkland Islands. In return trade restrictions with Britain would be lifted.

Ecuador foresees recovery

THE Ecuador Government is projecting an improved economy in the wake of lower inflation and the resumption of vital oil exports, AP reports from Quito.

Inflation during August was 1 per cent, nearly equalling the lowest monthly rate this year. The government said the January through August accumulated total was 17.4 per cent.

National Planning Secretary Mr Osvaldo Davila said on Wednesday that the country would recover from losses of more than $2bn in the oil industry during the past two years with the resumption of oil exports.

He said Ecuador lost $1bn last year because of plunging prices on the world oil market, and more than $1bn since March, when earthquakes ruptured a key oil pipeline and paralysed oil production and exports.

Ecuador traditionally receives about 65 per cent of its foreign exchange earnings from oil

Bomb explodes in Peru capital

A POWERFUL car bomb exploded four blocks from the Peruvian Congress as legislators debated a controversial proposal to nationalise the country's financial system. Police blamed the attack on Marxist guerrillas, AP reports from Lima.

The bomb exploded on Wednesday night in a five-storey parking garage.

Ottawa to write off debts owed by African countries

BY ROBERT GIBBENS IN MONTREAL

CANADA announced yesterday it would write off C$325m (£151m) in debts owed by seven Francophone African countries and would repeat the gesture for several Anglophone ones when the Commonwealth Conference convened in Canada in six weeks.

Mr Joe Clark, External Affairs Minister, said in a statement that debts owed by Senegal, Zaire, Madagascar, Cameroon, the Congo, Ivory Coast and Gabon would be written off in support of promises made at the second Francophone Summit being held in Quebec City.

Canada has already placed a moratorium on debt repayments from all seven African countries, and since 1986 it has made its bilateral aid to African countries in the form of grants rather than loans.

Mr Brian Mulroney, the Prime Minister, also told the summit that Canada would contribute to International Monetary Fund efforts to ease balance of payments problems of the Third World, allocate funds for reconstruction in Lebanon, for education in Chad and for rehabilitation of victims of apartheid.

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The conference will also discuss a plan put forward by Quebec's Premier Mr Robert Bourassa to index Third World debt repayments to the level of world commodity prices. The objective would be to ease the impact of sudden declines in comodity prices on the balance of pyyments of Third World producers.

The Francophone Summit, following the initial meeting in Paris in February 1986, is being attended by leaders of 37 French-speaking countries, including French President Mr Francois Mitterrand.

Canada was the only country at the smmit that did not fully suport a resolution calling for Mid-East peace talks, saying it could not accept a call for self-determination for the Palestinian people.

Ericsson and IBM to join forces on telecom project

ERICSSON, the Swedish telecommunications and electronics group, and IBM, the US computer concern, are to join forces in the development of new features for advanced telephone networks.

The agreement marks the first significant co-operation between Ericsson, one of the most international of the world's leading telecommunications groups, with one of the world's leading computer concerns.

The two groups said yesterday that they would jointly explore ways in which IBM expertise in database and data network management could be combined with Ericsson's AXE digital switching technology to provide telephone customers with a wide array of new or improved services.

The aim is to develop technical solutions for advanced functions in the so-called "intelligent networks" planned by telephone companies, which could give telephone users virtually all the benefits of a private telephone network.

Ericsson and IBM said that other services that could be better managed with the support of an intelligent network included free telephone calls and credit card calls.

The agreement between Ericsson and IBM is non-exclusive, and the two will not develop joint products.

It covers the testing of interfaces and the definition of systems architecture between IBM systems and Ericsson switches.

IBM said that the agreement with Ericsson was part of its strategy to develop software solutions to meet the growing requirements for data processing to support advanced services for the providers of telecommunications services.

For Ericsson the agreement with IBM is the latest in a series of co-operation deals in which it has sought to gain access to technologies outside telecommunications from international partners.

Sony to sell portable DAT recorder

SONY CORPORATION will market the world's first portable digital audio tape (DAT) recorder in Japan from early December, a spokesman said, Reuter reports from Tokyo.

The TCD-10 will sell at Y250,000 (£1,078). It weighs 1.85 kg and measures 238 mm by 53.6 mm by 175 mm and includes a remote stereo microphone and can run on batteries or alternating current. Initial production will be 3,000 a month.

"It's the first step in miniaturisation but I wouldn't expect it to have the same dramatic impact on the market as the Discman (a portable compact disc player)," the spokesman said. In 1985, the year after the debut of Sony's Y49,800 portable CD and three years after CD was introduced, global CD player sales surged to an estimated 4.4m from 830,000 in 1984, the Sony spokesman said.

The portable DAT recorder is still too expensive for mass consumption and has been available for less than a year, and then only in Japan. However, Sony will begin sales to West Germany in October and other DAT makers are expected to follow.

US computer sales to Europe up sharply

BY NANCY DUNNE IN WASHINGTON

A SHARP rise in the sales of US computers and business equipment in Europe in the first half of the year kept the industry's trade balance in the first half of the year kept the industry's trade balance in the black despite dire predictions that imports are soon to exceed exports.

According to the Computer and Business Equipment Manufacturers Association, exports were up almost 20 per cent in the first half of 1978 to more than $10bn. Imports rose even more dramatically, by more than 40 per cent, to $9.8bn.

The industry group had predicted that imports would exceed exports by the end of the first six months of the year. However, the trade balance improved in the second quarter and the surplus for the half rose to $269bn, slightly more than double the first quarter's $132bn.

The US trade surplus with Western Europe for computer and business equipment rose 22 per cent in the first half to $3.7bn, while the surplus with Eastern Europe rose almost 24 per cent to $15m. At the same time, the US trade deficit with the Far East rose almost 49 per cent to $4.6bn from a little more than $3bn a year ago.

However, the outlook for the trade balance in telecommunications looks bleak. In the first half the US deficit rose almost 38 per cent to more than $1bn from a deficit of $742.4m in the first half of 1986. Although telecommunications equipment exports rose 5.3 per cent, imports rose at a faster pace of 25.5 per cent. Japan, alone, sold telecommunications equipment in the US worth $713.5m, just under half the total imports.

French electrical plant makers look to exports

BY PAUL BETTS IN PARIS

THE DECLINE in France's nuclear power programme coupled with the completion of the first phase of the country's high speed train programme have forced the French electrical equipment industry to rely more than ever on exports which accounted for as much as 57 per cent of first half sales this year.

The sector's total sales in the first half of the year declined by 6 per cent to FFr 15.6bn (£1.58bn) compared with the same period last year. Exports, however, increased by 1 per cent to FFr 8.8bn in the first half.

Officials of Gimelec, the French electrical equipment industry association, acknowledged yesterday that the first half figures reflected the decline in the nuclear programme. The industry is also waiting for the second phase of the ambitious French high-speed train programme—the construction of an Atlantic Coast high speed train link and a new northern link with neighbouring countries such as Germany and Belgium to connect them with the Channel Tunnel.

During the first half of the year, the sector had a trade surplus of nearly FFr 5bn and is expected to report a surplus of about FFr 10bn for the whole year, much the same as for 1986.

French industry officials have also been closely watching the latest concentrations taking place in the world electrical equipment industry especially after the Asea-Brown Boveri merger. Leading French electrical equipment and engineering groups are now actively looking at ways of increasing their competitive size in the face of the latest manoeuvres in the sector.

Alsthom, the large heavy engineering and electrical equipment subsidiary of the Compagnie Generale d'Electricite, is among the French companies which are expected to seek a major industrial alliance.

TNT confirms $200m order for BAe

By Lynton McLain

TNT, the Australian distribution company, confirmed yesterday orders for British Aerospace for a further 11 BAe 146 Quiet Trader freight transport aircraft, worth a total of $200m.

The Australian company has already confirmed orders for five BAe 146 aircraft, as the first part of a £1bn order for British Aerospace for 72 of the aircraft, to be ordered over the next five years.

The company expects to use 20 of the aircraft on its European distribution network and yesterday TNT Ipec, the European distribution subsidiary of the Australian parent company, launched TNT Overnite Air Express. This is a new division in Europe to operate the company's declared intention of creating what it claims to be the first guaranteed door to door delievery network in Europe.

The BAe 146 aircraft will be a central part of this new operation,

US to lift motorcycle import curbs

By Yoko Shibata in Tokyo

THE US International Trade Commission has informally decided to remove high import tariff on Japanese motorcycles over 700 cc from April next year, according to the industry sources. The move is likely to lead to a resumption of large-scale Japanese motorcycle exports to the US.

The US import tariff was raised for five years from 1983 in order to give a breathing space to Harley-Davidson, the only remaining US manufacturer, to recover from the Japanese export onslaught.

The initial tariff was 49.4 per cent, falling to 15 per cent in 1986, and 10 per cent in 1987. However, Harley-Davidson last March asked the ITC to repeal the tariff because its business had improved and it had regained its international price competitiveness.

Japanese business chief backs S Africa links

A JAPANESE business leader, in a rare public expression of support for continued economic links with South Africa, has promised that Japanese companies will try to keep strong ties despite sanctions imposed by Tokyo, Reuter reports from Tokyo.

Mr Yashuji Akagawa, chairman of the Nippon Club of South Africa, said the economic partnership between Japan and South Africa was vital to both sides and "in this sense trade relations between the two countries can never be severed."

Mr Akagawa, head of the giant Marubeni unit in South Africa, was quoted in the latest edition of the club's newsletter.

While urging Pretoria to end apartheid race segregation, Mr Akagawa said: "We Japanese living in South Africa will continuously try to maintain trade relations in spite of various difficulties within the scope of the sanctions package imposed by our government."

Japanese Government actions against South Africa date back to 1965 and include an arms embargo, restrictions on banking, tourism, cultural, sporting and educational links.

Japanese businessmen here often speak privately in favour of strong economic relations with South Africa but are usually reluctant to comment openly.

Japan is close to overtaking the US as South Africa's biggest trading partner, with bilateral trade last year rising 25 per cent to a record $3.60bn.

Caribbean tourism rises 12%

BY CANUTE JAMES IN KINGSTON

CARIBBEAN TOURISM, which has recorded significant expansion over the past two years, is continuing to grow with the volume of visitor arrivals in the first four months of this year put a 12 per cent higher than the same period last year.

The Caribbean Tourism Research and Development Centre, based in Barbados, said the volume of visitors from the US in the first four months of this year was 18 per cent up on January to April last year. The region's tourist industry grew in 1986 by 5 per cent in numbers of visitor arrivals, lifting the total to just over 8m, boosted by an 8 per cent

The centre said, however, that while most countries benefited from increased volume from the US this year, "there was a decline in US tourist arrivals in Guadeloupe and Martinique in the first quarter of 1987, due partly to the weakness of the dollar."

US to penalise steel imports

THE US International Trade commission (ITC) ruled that imports of forged steel crankshafts from West Germany and Britain are injuring a US industry, AP-DJ reports from Washington.

The ITC's final decisions in two Anti-Dumping Act cases means that penalty duties will be assessed on the imports from both countries, which totalled about $35m last year.

The US Commerce Department and the ITC will decide later this year whether anti-dumping duties may also be required on forged steel crankshafts from Japan and Brazil, ITC officials said.

United Newspapers joins forces with Sunday Sport

BY RAYMOND SNODDY

LORD STEVENS' United Newspapers has formed an alliance with Mr David Sullivan's Sunday Sport, the national Sunday newspaper which has built a circulation of 500,000 with launch costs of only £150,000 and the lavish use of "glamour" pin-ups.

Under the deal Mr Michael Gabbert, editorial director of Sunday Sport, becomes editor of The Star, one of United's national newpapers, with immediate effect.

United will take a 24.8 per cent stake in Mr Sullivan's company, Apollo, with an investment of about £2m and Mr Sullivan will receive a royalty of 0.5p on every copy of The Star sold in excess of the January-June 1987 average circulation of 1,288,583.

The real purpose of the deal is, however, defensive. Mr Sullivan will drop plans to launch a Daily Sport, scheduled for early next year, and United will drop plans for a Sunday Star.

"There is no doubt that Sunday Sport had considerable backing for the launch of Daily Sport and The Star was very much in the firing line," Mr Andrew Cameron, managing director of Express Newspapers, United national newspaper subsidiary, said yesterday.

"I think we have both saved a lot of money," Mr Cameron added.

Express Newspapers was planning to spend at least £10m on the launch of a Sunday Star and Sunday Sport were setting aside £7m for its daily launch.

Mr Sullivan, who will become unpaid promotions and publicity consultant to The Star, said yesterday: "We hope to add a bit of bounce and heart and soul to the paper."

Mr Gabbert, a former deputy editor of the News of the World who has kept the number of pictures of scantily-clad women high at Sunday Sport during its first year of publication, promised yesterday that The Star in future would have more vernacular language and shorter stories.

The glamour content of The Star would increase – "say a couple of sets of nipples a day, we're not going to go mad," Mr Gabbert said yesterday.

Mr Cameron, for his part, is hoping the number of photographs of bare-breasted women in the Sunday Sport can be reduced under Express influence and that it can become more of a family newspaper which can attract mainstream advertising.

Mr Sullivan, chairman of Apollo, said yesterday that together with United, the Star and the Sunday Sport would be strong enough to take on Mr Rupert Murdoch's popular tabloids, The Sun and the News of the World.

Apart from obtaining new financial backing, Mr Sullivan expects to make a property profit on the new headquarters he bought in London's Farringon Road in July. He plans to sell the building bought from the communist Morning Star newspaper for £2.5m.

The deal with The Star was negotiated in great secrecy and Mr Sullivan and Mr Gabbert earlier had talks with Lord Rothermere, chairman of Associated, publishers of the Daily Mail, on the possibility of providing backing for a Daily Sport.

Willis attempts to avert TUC split

By Philip Bassett, Labour Editor

THE TUC yesterday deflected potentially embarrassing and divisive splits at its annual Congress next week by agreeing to a year-long review of trade union organisation to combat non-unionism.

The TUC General Council, meeting in Blackpool before the Congress, approved by 41 votes to one – the dissentient was Mr Arthur Scargill, president of the National Union of Mineworkers – a statement drawn up by Mr Norman Willis, TUC general secretary and his officials, proposing a thorough review to report to next year's Congress in Bournemouth.

Eight policy motions from various unions on different aspects of union organisation, including non-unionism, promoting unions, TUC committee structures and strike-free deals, threatened to open deep divisions between competing unions at a time when the TUC is putting increased effort into improving the unions' general standing with the public.

Under Mr Willis' proposal, the TUC statement setting out the review will be put to the Congress on Monday afternoon, and although individual unions will be able to put forward their differing points of view, their motions will not be voted upon individually unless – as now looks highly unlikely – the single vote on the TUC's statement sees it rejected on the Congress floor.

In addition, although it is not specified in the statement, unions will be required under an informal "implied goodwill" agreement reached by General Council members to take care before signing with employers such agreements as single-union, strike-free deals, which have in the past year caused considerable inter-union friction.

Mr Willis said unions had not been asked not to sign such deals, but he hoped unions would take into account other unions in any agreements they considered. A move by the TGWU transport union for a formal moratorium on signing while the review is in progress received no support.

The statement welcomes the "intense and creative thought" now being given by unions to organisational issues, and says that "all the issues set out in the motions and amendments are worthy of consideration and should be the subject of detailed examination," by a special review body to be set up by the TUC.

Civil Service seeks to recruit outsiders for senior positions

BY CLARE PEARSON

THE CIVIL Service is seeking to recruit outsiders directly into senior jobs for the first time in four years, it was announced yesterday.

The service is hoping to make up for skills shortages which have been highlighted by the Government's current heavy legislative programme, and intensified by increasing defections to the private sector.

But Mr Nicholas Gurney, a Civil Service commissioner, admitted yesterday he was not optimistic about prospects for finding all the 60 or so high-calibre individuals being sought, as service pay scales dictate an initial salary of only between £15,000 – £20,000 a year.

The selectors are seeking individuals with public or private-sector experience in areas as diverse as management information systems, university administration, and accounting.

Successful applicants will join the service's "fast stream," where staff are earmarked for accelerated promotion, although they need not possess a university degree – a departure from normal Civil Service recruitment policy for fast-streamers.

The recruitment forms part of a Government drive to improve the efficiency of the Civil Service, which includes involving fast-stream recruits in managerial and executive work, as well as policy-making.

This has created the need for staff with more specific skills than those fostered in the existing cadre of fast-streamers, who have mostly been recruited straight from university.

The vacancies, which are all at Grade seven or principal level – which roughly represents the lowest senior administrative grade – are being advertised from this week. Currently, there are about 800 fast-stream recruits employed at this level.

The Department of Trade and Industry and the Treasury, and the departments of Education and Science and of the Environment, are to be the heaviest recruiters.

The Department of Trade and Industry has been losing about 4 per cent of its fast-stream recruits annually over the past three years, partly to the City of London. This compares with an overall fast-stream wastage rate of about 2½ per cent a year.

Mr Gurney said the recruitment needs of the departments of Education and Science and the Environment mainly reflected the Government's proposed wide-ranging and controversial legislative changes in the areas of education and local government finance, which has put new pressure on personnel in these departments.

Third of plants have temporary staff deals

By David Brindle

ALMOST one in three unionised workplaces now has a formal agreement governing temporary workers, according to a survey published today by the independent Labour Research Department.

The survey of union representatives at 370 workplaces, covering 311,290 workers, found agreements in 31.4 per cent of the cases. LRD says the number of agreements is rising as unions try to regulate the growing use of temporary labour.

Respondents at 42.4 per cent of all the workplaces – 48.7 per cent of those employing 500 or more workers – reported increased use of "temporaries" over the past two years.

Seasonal fluctuation in workload was cited as the main reason for employing temporaries in 48.6 per cent of cases. In 14.6 per cent of cases, temporaries were said to have replaced full-time employees.

Most temporary employment contracts were reported to be for less than six months, but 62.4 per cent of workplaces were said to offer temporaries the same basic pay rate as full-timers – usually as a result of union negotiation.

Temporary Workers – A Negotiators' Guide; LRD Publications, 78 Blackfriars Road, London SE1 8HF; £1.40.

Development council cuts come under fire

BY RICHARD EVANS AND PHILIP BASSETT

THE CONFEDERATION of British Industry, the Trades Union Congress (TUC) and the National Economic Development Office all urged the Government yesterday in separate submissions to modify its plans to downgrade sharply the operation of economic development councils, or "little Neddies."

The submissions follow the Treasury's surprise announcement in July that it intended to continue funding only 16 of the 38 EDCs, which analyse and recommend action programmes for the relevant industrial sectors.

Nedo, which could face a halving of its staff and funding in the cuts, accepted in a conciliatory response that there should be some rationalisation, but argued that the Government's plans were far too drastic and would mean losing too many effective committees.

It proposed a new supervisory board to exercise stronger control over the work of the little Neddies; additions to the 16 EDCs and task forces listed as worth continuing by the Government; and wider sharing of the costs of project work.

Nedo also favoured the setting up of high-powered steering groups with Government, CBI and TUC representatives to cover certain key sectors of industry, including consumer products, the distributive trades and the engineering industry. Each would take a particular interest in import substitution.

Mr John Cassels, director-general of Nedo, said in London yesterday: "We have not looked to pick a fight with the Treasury. We are just trying to get the maximum value out of the system....don't let's chuck out the baby with the bath water."

The CBI agreed there should be a major shake-up of the little Neddies and called broadly for a third to be retained, a third abolished and the remainder merged into a handful of new groups. The major areas of difference from the Treasury proposals are in the electronics, engineering and construction sectors.

Mr Nigel Lawson, Chancellor of the Exchequer, made it clear in his July statement that he would take a great deal of persuading to modify his proposals.

The TUC yesterday sharply criticised the Government's decision.

The unions do not accept that a case has been made for a reduction in EDC work, arguing that "no reasons have been given for the proposed closures, and the list appears at best random and illogical. At its worst, it appears a clumsy attack on the standing of key manufacturing sectors of our economy."

Workers at IBM factory reject union membership

BY DAVID BRINDLE, LABOUR CORRESPONDENT

WORKERS at a UK plant of IBM, the predominantly non-union computer manufacturer, are overwhelmingly against joining a trade union, a research team has found.

The team believes that the workforce at IBM's Greenock plant in the west of Scotland would today vote just as solidly against union organisation as they did in 1977, when only 8.9 per cent were in favour.

"Our survey indicates major barriers there standing in the way of workers accepting trade unions," the team reports, adding that the nature of worker resistance raises important questions about the future of union strategy generally.

Unions worldwide have recently been looking again at making inroads at IBM in view of its reduced profits and job cuts. Earlier this year, union leaders from 22 countries attended a conference in London specifically to discuss organising in the company.

However, the findings of the research team – outlined in today's issue of New Society magazine – suggest IBM's altered commercial fortunes have made little or no impact on its employees' attitudes towards the company and towards unions.

The team, drawn principally from Glasgow College of Technology and Strathclyde University, interviewed a cross-section of workers at the Greenock plant.

It concludes that resistance to unions stems, first, from the success of IBM's personnel policies and, secondly, from the workers' own previous experiences of union membership.

On the first count, the team says the squeeze on profits at IBM has been felt by sub-contractors rather than by direct employees who "universally" believe the company's assurance that once it employs a person, it will not dismiss him or her.

On the second count, the team says there was no general hostility to unions.

British Coal offers to amend discipline code

BY JOHN GAPPER, LABOUR STAFF

BRITISH COAL yesterday offered an amendment to its revised disciplinary code following talks at the conciliation service Acas in an attempt to head off industrial action by the National Union of Mineworkers (NUM).

The corporation, which insisted that there could be no return to the previous disciplinary procedure of the "pit umpire," said it would in future accept any industrial tribunal decision that a sacked miner should be reinstated.

However, the move, which does not match the NUM's insistence that the pit umpire should be retained, is unlikely to be sufficient to settle the dispute over the code which has led to an NUM ballot in favour of industrial action.

Conflict is likely to remain, in particular, over British Coal's continuing refusal to bind itself to reinstating miners disciplined for offences outside the workplace who are subsequently found not guilty by a court.

The corporation presented its proposed change to the code along with re-worded explanations of various clauses which have been rejected by the NUM, and said it would write to the union today setting out its "clarifications."

Mr John Northard, operations director, said: "We feel the response that we shall make tomorrow will meet the points that have been made to us at Acas. This is a genuine attempt to clear up any misunderstanding that may have arisen."

The NUM executive is to decide on Sunday whether to implement its vote in favour of industrial action.

UK NEWS

Food group flotation is brought forward

By Christopher Parkes, Consumer Industries Editor

PREMIER BRANDS, the private food group, has brought forward its planned flotation date after a successful start to the current financial year.

The company plans to seek a full Stock Exchange listing in 1989, rather than in 1990 as announced in May last year when its management bought it from Cadbury Schweppes.

Trading profits from Premier's range of Typhoo and speciality teas, Cadbury's chocolate biscuits and drinks, and Chivers Hartley jams more than doubled to £10.7m in the six months to June 30.

Pre-tax profits were £7.2m compared with £5m, on turnover up from £128m to £135.5m.

Mr Paul Judge, chairman, said yesterday that borrowings had been halved in one year to £46m, acquisitions were performing well, and several new products were forthcoming.

The company, which employs more than 4,000 people, had trimmed its management payroll by a fifth, he said. The Kenco coffee business had been sold to General Foods of the US, while its tea business had been strengthened by the purchase of Melroses in November 1986 and Glengettie last March.

The reduction in borrowings and the consequent doubling of interest cover had strengthened the company's hand in the acquisition market, he added.

Cadbury's chocolate biscuits are to be launched in the US next month, Mr Judge said, and new lines including chocolate chip cookies, Cadbury's chocolate milk drink, and a new wafer bar would be introduced in the UK.

Profits at Premier, formerly the beverages and foods division of Cadbury Schweppes, had been falling for the three years before the £97m buy-out.

Cadbury sold out as part of a group strategy to concentrate on soft drinks and confectionery.

US radar base seeks to expand

THE US-run communications base at Menwith Hill, near Harrogate, is seeking permission to build seven "golf ball" radar structures.

Charles Leadbeater considers initiatives to spur employers to alleviate Britain's growing training problem

Managers' apathy 'threatens jobs and productivity'

BRITAIN faces a serious training problem, which will inhibit employment growth in the short term and improvements in productivity and competitiveness over the longer term.

The Education Department and the Manpower Services Commission have both set up initiatives to improve youth vocational education and training. But according to Sir Bryan Nicholson, the commission's chairman, the biggest question is whether employers are prepared to fulfil their responsibilities.

The Commons public accounts committee reported in July: "There seems little doubt that employers are not sufficiently facing up to their training responsibilities. And the evidence we have taken suggests that under the present arrangements any deterioration in the economic climate would almost certainly worsen this unsatisfactory situation."

The committee urged the commission to explore "more formalised" ways to stimulate employers to train, a veiled reference to stautory action.

That report raises a key question. Can the task be left to voluntary action by companies, or should the Government intervene to stimulate or even force companies to invest more in training?

Some companies have vastly improved their programmes. Mr Paul Morton, training manager at Jaguar, said: "In 1980 we were still training as if we were in the 1950s. In spite of our reputation for engineering excellence we had no systematic programme for upgrading technical skills. In the last seven years we have gone through 30 years of development."

That development spans an impressive range: an open learning programme in which 3,025 employees have completed 7,265 courses through 181,000 hours of training; the latest interactive video; computer-based training modules for showroom staff to learn about products; the construction of a £38m training centre for engineers and a programme to retrain all company supervisors to make more effective team leaders.

General Electric Company spends £50m or 5 per cent of its pay bill each year training and retraining almost 40,000 employees, according to Mrs Sarah Morrison, senior training executive.

For some companies training is becoming an integrated part of their business strategy, with decisions taken at board level. British Airways' programme to change the style of 1,400 managers followed a board decision to improve customer care and staff relations.

Ford embarked on a far-reaching programme to introduce new-technology production processes for its Transit van line.

So at least some companies are addressing criticisms outlined in A Challenge to Complacency, a report on British companies' training policies, by Coopers and Lybrand, the accountants, for the commission and published in November 1985.

The report found that few employers think training is central to their corporate strategy; most are complacent about the amount of training they do; senior executives rarely know much about training and few believe it is directly linked to profitability.

Do these examples of improved programmes mean that companies are responding? Mr Quentin Thompson, one of the report's authors concluded: "The climate has changed. There is a lot more awareness and discussion of training. But that has not yet translated into action. Those who were training are doing it better. Some on the borderline have been converted. But the vast bulk of British companies have not been dented."

A Challenge to Complacency found that most companies were under little pressure from either workers, trade unions or shareholders to improve training. While national trade union leaders believe training should be part of collective bargaining this view is rarely shared by local officials with a narrower horizon.

There is still some way to go before even leading companies are abreast with foreign competitors. Mr Chris Hayes, a training consultant with the Prospect Centre, commented: "BMW spends 40 per cent more on training than even Jaguar and that is with a workforce which arrives with better skills and qualifications than Jaguar's workforce."

The CBI, in collaboration with the commission and the Chambers of Commerce, is taking steps to encourage employers to train more.

Earlier this year they established the Local Employer Networks (Lens) project. They hope to set up a Lens unit in every local education authority within the next two years to give employers a coherent voice in local debates about training needs.

The networks, along with the commission's Training Access Point project to provide computerised information on course availability, should improve local labour market information.

But is seems unlikely that Lens will quickly assume the role of the Chambers of Commerce in West Germany which are at the centre of local training initiatives. Moreover early indications are that local initiatives have been received with far less interest and enthusiasm than the national launch.

The CBI has gathered a group of 25 leading companies to draw up a charter for management development. Mr John Banham, the CBI's director general, hopes that initiative will also make managers more aware of the need to promote professionalism among their workers.

Mr Thompson believes initiatives such as these will play an incremental role in improving training provision, but he added: "At the end of the day, and that is not too far away now, some form of statutory arrangement will be necessary if there is not enough movement to produce the volume of training that is needed in the timescale that is necesary."

One step suggested by Mr Thompson is that companies should be obliged to report in their annual accounts how much training they have done. He believes that would put companies under pressure not to be seen to be lagging behind.

Others suggest measures to force companies to increase the amount they invest in training.

Mr Hayes advocates a system similar to that recently instituted in Sweden under which companies, by law, have to devote 10 per cent of profits either to research and development or to training.

But as Mr Hayes recognises, there are problems with any scheme to levy companies or force them to spend a certain amount on training.

If the tax or levy is to be remitted on the condition that the company carries out a set amount of training, there needs to be a simple measure of how much training has been done.

Training cost does not capture that, as different but equally effective forms of training can be delivered at widely varying costs. It is virtually impossible to construct an adequate measure of training output, especially in the absence of a comprehensive set of national qualifications.

Moreover the experience of the statutory industry training boards, which have powers to collect levies from companies, shows that companies can quickly become masters at creative training accounting.

Any tax would have to be closely policed to ensure that companies were not avoiding it. The board's systems for policing provoked many companies to complain of mounting bureaucracy and administrative costs.

The debate about a training tax is largely academic. The Engineering Industry Training Board's attempt to win acceptance for giving the board stronger powers to raise training funds, has run aground as a result of opposition within the industry. More importantly there seems no chance of the Government considering an additional tax on business.

Analysts at Coopers and Lybrand have developed a simpler idea. There is a need for statutory action, but that does not require a tax, says Mr Thompson.

He suggests companies and their workers should establish mutual training funds, financed by matching contributions from both employee and employer.

This type of fund was established by Ford in the United States in 1982. It agreed with the United Automobile Workers to establish an employee development and training programme, run jointly at national and local level by union and company representatives.

In the past five years, more than 11,000 laid-off workers have gone through nine regional training centres, with more than 70 per cent subsequently finding jobs. More than 10,000 have taken up a $1,500 grant to cover tuition fees for outside courses; 8,000 have gone through special technical courses, and 7,000 on mathematics, English and pre-retirement courses.

Mr Geoffrey Holland, the Manpower Services Commission's chief executive, believes British companies should be encouraged to follow the example. But the Ford fund was established in special circumstances —the company had 50,000 workers laid off and faced making thousands redundant. Without that pressure would British companies follow suit?

Mr Thompson believes not. He argues that companies should be under a statutory requirement to provide annually at least two days off-the-job training per employee. Rather than forcing employees to give up part of their pay to a fund, they could make a contribution by taking some courses outside work hours.

By harnessing the company's interest in having a better trained workforce and the individual's interest in developing marketable skills, it would provide the basis for a more co-operative approach to training.

The British approach is still hamstrung by a mechanistic view that training is rather like investing in a big bottle of pills which will produce quantifiable, measurable skills to improve productivity.

At Ford in the US Mr Ernest Savoie, head of labour relations planning, sees things in a different way.

"We need a workforce with good all-round training. Tangible skills are crucial but shopfloor workers will have more responsibility so they need to be good at problem solving. They will work in teams more so they need interaction, communication, and decision making skills."

Youth Opportunity Programme members go through their paces at Ford's engine evaluation laboratory at Bridgend, Glamorgan.

Footwear makers face surge in imports

By Alice Rawsthorn

FOOTWEAR imports into Britain rose markedly in the first half of the year, according to the British Footwear Manufacturers Federation.

Figures published yesterday by the federation show that although imports flooded into the domestic market in the late 1970s and early 1980s, the British shoe industry has in the past two years won back some of its lost market share.

Yet the scale of the surge in the first half suggests that those gains might be reversed this year.

The federation's study of the market suggests that imports rose by 13 per cent in volume to 102.7m pairs during the first half, and by 10 per cent in value to £408.1m.

That increase in imports continued into August, inspite of an expected rise in output from British manufacturers this year. In the first six months, deliveries of shoes in Britain and exports rose by 5 per cent.

The influx of imports from China almost trebled to 6m pairs, principally of rope-soled slippers. In recent years, the emerging Chinese footwear industry has invested heavily in equipment.

By contrast, the flow of imported footwear from countries in the European Community has lessened. The Italian footwear industry, which led the onslaught on the British market in the 1970s, has been particularly hard hit by the relative strength of the lira against the pound.

The pictures for the British shoe industry is not as grim as it at first appears, since the increase in imports is concentrated on non-leather footwear such as sports shoes and trainers.

Scots banks to issue £1 coins

THE THREE Scottish clearing banks are to start issuing £1 coins as well as £1 notes.

The Bank of Scotland, the Royal Bank of Scotland and Clydesdale Bank have taken the decision because of their concern at the deteriorating condition of many of their £1 notes.

APPOINTMENTS

TSB treasury and financial markets chief

Mr David Lytton Cobbold has been appointed a general manager of TSB ENGLAND & WALES with overall responsibility for the bank's treasury and financial markets operations. He will be joining the bank in October. Mr Cobbold joins from British Petroleum where he was one of the principal architects and senior managers of the company's "in-house bank." As manager of the treasury division, he was responsible for overseeing foreign exchange and money market dealings, treasury operations and international treasury. Before joining BP in 1979, David Cobbold spent five years with Finance for Industry (now Investors in Industry) as treasurer and 10 years with the Bank of London and South America (BOLSA). In 1986 Mr Cobbold was elected foreign exchange manager of the year by Euromoney.

★

PETER HAND (GB) has appointed Professor William Jenkins as pharmacological adviser. He is a professor of veterinary physiology and pharmacology at the Texas A & M University.

★

Mr Richard Humble has been appointed executive director and head of operations at the CRITERION ASSURANCE group. Mr Patrick Murphy has been appointed executive director and head of sales and training division.

★

At WILLS GROUP Mr Peter G. B. Wills has retired due to pressure of other business commitments. He is chairman of Sheppards Moneybrokers and chairman of the authorisations committee of The Securities Association.

★

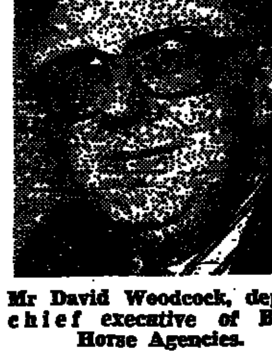
RODNEY DYKES HOUSING SERVICES, Liverpool, has appointed Mrs Jean Scott and Mr Andrew Gray as directors.

★

MIM has appointed four directors. They are: Mr John Shelley; Mr David Gillan; Mr Donald Walker and Mr Ratan Engineer. Mr Shelley joins from Royal Trust of Canada where he was a senior manager of its investment department. Mr Gillan is chief executive officer of INVESCO MIM International. Mr Walker was with Touche Remnant as a senior international manager. Mr Engineer is finance director of MIM.

★

WPP GROUP has appointed five senior personnel to further strengthen its central financial team. Three regional financial controllers, one based in New York and two in London, will be responsible for North America, Europe and Latin America/Asia Pacific, respectively. Mr Lewis Trencher will join as North American financial controller from the Rowland Company, where he was chief financial officer. Ms Alicja Lesniak joins as European financial controller from Arthur Andersen and Co's UK partnership where she was director of finance. Mr Peter Law-Gisiko joins as Latin America/Asia Pacific financial controller from Pepsico where he was finance director, Northern Europe. Mr Simeon Galpert joins as director of group treasury from Guinness where he was head of group treasury. Mr Anita Frew joins from Scottish Provident where she was responsible for fund management. She will concentrate on merger and acquisition work outside the US and on institutional investor relationships.



Mr David Woodcock, deputy chief executive of Black Horse Agencies.

Mr David Woodcock has been appointed deputy chief executive of BLACK HORSE AGENCIES, wholly-owned estate agency subsidiary of Lloyds Bank. Mr Woodcock was chief executive and chairman designate of Black Horse Agencies — Charles Hawkins, the East Anglian estate agency which was the first practice to be purchased by BHA when it was launched in 1982. Mr David Walker has joined as senior manager (marketing), having formerly been a senior executive member of the board of management of Black Horse Agencies — Entwistle Green. Mr Peter Rosoman becomes manager —new homes, from Black Horse Agencies—Buckell & Ballard. Mr Tim Orbell, one of the group's most successful financial services managers at Black Horse Agencies—Charles Hawkins, has been appointed manager—financial services for the group.

★

STERLING ORGANICS — part of Sterling Drug Inc — has appointed Dr Otto Meth-Cohn as director of its UK R&D division, based at Newcastle upon Tyne. He joins from the South African National Research Institute (CSIR) in Pretoria where he was head of organic chemistry, and visiting professor at Pretoria University.

★

TRANS GLOBAL AIR has appointed a director with responsibility for operations and sales. He is Mr Brian Wyeth who joined the company three years ago as sales manager.

★

JOHN FLEMING & CO., Aberdeen, has appointed Mr John Nicholson as purchasing director. He joined the company in 1976.

★

Mr Peter Wilmot-Sitwell, joint chairman of Warburg Securities, will stand for election as a non-executive director of W. H. SMITH & SON (HOLDINGS) at the annual meeting in October. It is intended that he replace Mr Peter Baring who retires by rotation and is not seeking re-election. Another non-executive director, Sir Colin Corness, is also retiring.

★

Mr Christopher Williamson has been appointed an associate director of LLOYD THOMPSON.

★

Mr L. H. George Livingstone-Learmonth has been appointed managing director of INSITUFORM GROUP. He was formerly managing director of Hampton Gold Mining Areas. Insituform offers a system of pipeline reconstruction which the company claims strengthens the original pipes, provides better flow characteristics and extends life, all without excavation.

★

HAYS DISTRIBUTION SERVICES has appointed Mr Stephen Wrinch as personnel director.

★

Mr Peter Riley has been appointed finance director of SIMON-HARTLEY, a Simon Engineering company. He was chief accountant with Evode.

★

BARING BROTHERS & CO has appointed Mr Peter Norris as managing director of Baring Brothers Asia in Hong Kong, the holding company for the group's merchant banking activities in South East Asia. Mr Norris, a director of Baring Brothers & Co, will take up his post in October. Mr David Mathew has been appointed an executive director of Baring Brothers Asia and will also be based in Hong Kong, with responsibility for the further development of merchant banking business in Hong Kong, China and Taiwan.

★

Mr Derek Ian Jackson has been appointed managing director of SMITHS INDUSTRIES AEROSPACE & DEFENCE SYSTEMS, Cheltenham.

★

ELYS (WIMBLEDON) has appointed Mr John S. Moyle as deputy chairman and managing director; Mr D. V. Element as financial director; and Mr C. S. Meade joins as merchandise director.

★

The following have been appointed directors of COMMUNICATION INVESTMENTS, holding company for Langton Videotex and Langton Electronic Publishing Systems: Mr Douglas Brown (chairman), Mr David Wharrie (managing), Mr Malcolm Beer, Mr Michael Boorah, Mr David Elyan, Mr Raymond Farrow, Mr Andrew House, Mr Kenneth Knight and Mr Phillip Parkin. Mr Brown was a founder and joint managing director of AGB Research. Mr Wharrie was finance director and joint chief executive of AGB and Mr Elyan was company secretary and associate director.

Mr Christopher Pearce, finance director of the Rentokil Group.

RENTOKIL GROUP has appointed Mr Christopher Pearce as group finance director from October 1. He is a director of County NatWest—advisers to Rentokil. Earlier he was with J. Henry Schroder Wagg, where he became a director and was concerned mainly with corporate finance and capital markets in the UK and Hong Kong, and was chief executive of Schroders in Brazil. He moved to County NatWest in 1984.

★

Ms Pat Davies has been appointed to the board of CONFERENCE ASSOCIATES, a subsidiary of W. A. Holdings, as conference director with responsibility for marketing and new business. She was conference co-ordinator at the Barbican Centre, London, from 1980 to 1983, when she joined Conference Associates as a project manager and deputy to the managing director.

★

At the AFRICAN HIGHLANDS PRODUCE CO. Dr W. B. Eyton has been appointed a director.

★

Mr Quentin Davies has joined the board of DEWE ROGERSON INTERNATIONAL. Mr Davies has recently stepped down from the board of Morgan Grenfell and Co., following his election as MP for Stamford and Spalding. He was a senior member of Morgan Grenfell's international corporate finance team.

★

SHEARSON LEHMAN BROTHERS has made three appointments in its fixed income sales team in London. Mr Mukesh Shah joins as a director, heading the Japan sales group. He was previously at Credit Suisse First Boston in London. Ms Roberta Hosegood joins as associate director, also from Credit Suisse First Boston. Mr Patrick Ravier has joined from Morgan Stanley as a director. He will co-ordinate fixed income sales covering France and Belgium.

★

Mr R. Merrigan and Mr M. Medland have been appointed directors of TULLETT & TOKYO (FOREIGN EXCHANGE) CO. Mr J. Lawrence and Mr D. Eells have been appointed directors of Tullett & Tokyo (Euro Currencies & Forwards) Co.

★

Mr Warwick J. Newbury and Mr Stuart H. Wells have been appointed associate directors of COUTTS & CO. Mr Newbury succeeds Mr M. A. Bowes Lyons as head of financial services division. Mr Bowes Lyon remains a director.

★

Mr Ian Macdonald has been appointed non-executive chairman of PR CONSULTANTS SCOTLAND, Glasgow. He was chief general manager of TSB Scotland, and holds directorships with the SSEB, New Tokyo Investment Trust and Crescent Japan Investment Trust.

★

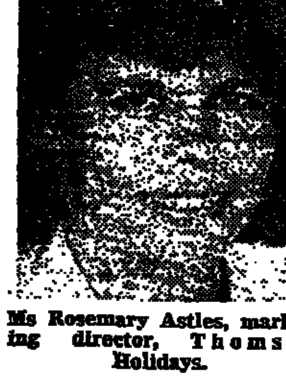
Mr Bryan Matthews has joined MATTHEW CLARK & SONS as sales director. He has been a director of Forman Communications, the public relations subsidiary of the Lopex Group, for the past 18 months, but is best known in the drinks industry as the first managing director of Whitbread Take Home, which he helped to set up in 1974. Mr Matthews will be responsible for the Matthew Clark and Moreland Agencies salesforces, previously under the direction of sales director Mr Sam Gordon Clark, and the teams led previously by national accounts director Mr Ralph Child, who is retiring on October 1 because of ill-health. Mr Clark has been appointed directeur relations exterieurs UK and Commonwealth for Champagne Taittinger, one of Matthew Clark's agencies. He remains a director of Matthew Clark (Holdings) and Matthew Clark & Sons.

★

The LONG-TERM CREDIT BANK OF JAPAN, London, has appointed Mr Tsuneaki Fujita, who was previously joint general manager of the controller division in the Tokyo head office, as joint general manager of the London branch. Mr Yoshiki Soga, Mr Fujita's predecessor, has taken up a new post in head office as general manager of the personnel division.

★

Mr David Mathew has been appointed executive director of CHINA AND EASTERN INVESTMENT CO, with responsibility for the portfolio of direct investments in the People's Republic of China. Mr Mathew is also a director of Baring Brothers Asia. He previously worked in China and Hong Kong for 10 years for Jardine Matheson before joining Barings in London las year. He will now be based in Hong Kong. The following have also been appointed to the China and Eastern board: Mr John Morrell, executive deputy chairman, Baring International Investment Management; and, based in Hong Kong, Mr Richard Chenevix-Trench, a director of Baring International Fund Managers; Mr David Lyle, a director of Baring International Investment Management and managing director, Baring International Fund Managers; and Mr Peter Norris, managing director of Baring Brothers Asia. Mr Nigel Melville, Mr David Scholfield and Mr James Williams have resigned from the board.



Ms Rosemary Astles, marketing director, Thomson Holidays.

THOMSON HOLIDAYS has appointed Ms Rosemary Astles as marketing director. She has been with the group since 1979 when she joined as a graduate trainee. Aged 30, she is the youngest and first woman director to be appointed by Thomson.

★

FIRTH VICKERS SPECIAL STEELS, part of the Sheffield Forgemasters group, has appointed Mr David Watts as sales director and Mr Ian Smart as works director. Mr Watts was sales manager and Mr Smart was works manager.

★

THE MOORGATE GROUP has appointed Mr Paul Gibbs to the new post of director of marketing. He was previously marketing director at Citicorp British National.

★

JOHN WADDINGTON has appointed Mr Andrew Dalton as company secretary. He has been assistant company secretary since April 1986. He succeeds Mr Peter B. Stephens, who will continue as a director until his retirement in November.

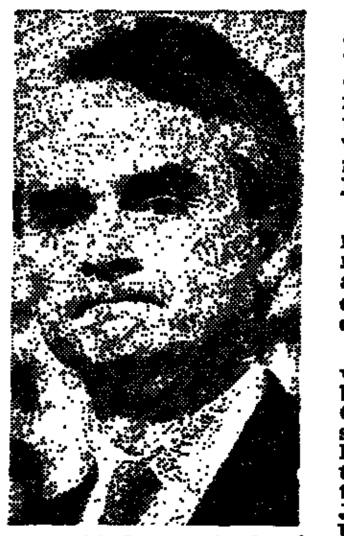
Leaders to meet over SDP-Liberal merger

BY PETER RIDDELL, POLITICAL EDITOR

MR ROBERT MACLENNAN, the new leader of the Social Democratic Party, and Mr David Steel, the Liberal leader, will hold informal talks next Sunday to discuss the forthcoming merger negotiations.

The discussions, the first in person since Mr Maclennan became SDP leader last weekend, will consider the majority support for merger at this week's SDP conference in Portsmouth. The main issues will be the timing, nature and scope of the negotiations, particularly how far policy questions should be included.

Mr Maclennan said yesterday the meeting would enable the two leaders "to have a relaxed and wide-ranging discussion." It will take place before Mr Steel's visit next week to the Liberal International in Canada and the Liberal Assembly in Harrogate the following week, which Mr Maclennan will address.



Robert Maclennan: "relaxed and wide-ranging discussion."

The SDP leadership is keen to press ahead with the merger negotiations as quickly as possible after consultations among party members this month.

There is likely to be a debate at the Liberal Assembly about whether a ballot is necessary, given the probable overwhelming support for merger among party members, or whether the assembly itself can authorise the talks. The leadership is reluctant to prejudge this issue because of rank-and-file sensibilities.

The argument for not having a preliminary ballot is that that will enable talks to start in early October rather than a month later. Both sides believe the matter is urgent since they want to have candidates of the merged party ready to fight the May local elections next year.

The timetable would involve negotiations up to Christmas, representative conferences or assemblies in late January or early February, followed by decisive ballots.

The Liberals were yesterday warned to beware of the SDP by Mr Frank Dobson, Labour's Campaigns Co-ordinator. He said Liberals would "do well to look with a jaundiced eye on these 'Three Horsepersons of the Political Apocalypse'—Roy Jenkins, Shirley Williams and Bill Rodgers."

He said, "Liberals should remember that when this trio talk of working together with others, they mean working together like a horse and rider work together. Jenkins, Williams and Rodgers see themselves firmly in the saddle, up top, up front, while Liberal activists do the legwork."

Labour MP warns on pact

BY PETER RIDDELL

SUGGESTIONS OF an electoral pact between Labour and the Liberals have been strongly attacked by Mr Robin Cook, Labour's health and social services spokesman.

His comments, in the latest issue of Tribune, the newspaper, are in response to a joint statement a fortnight ago from members of the soft-left Labour Co-ordinating Committee and the hard-left Labour Left Liaison, warning against a plot by Labour's right to arrange a pact with the Liberals.

Mr Cook argues that there is "no more certain way of further diminishing Labour's share of the poll than an electoral pact with the Liberals.

"All evidence suggests that, in the absence of a Labour candidate, our voters are liable to vote Liberal, but in the absence of a Liberal candidate only half their vote will come over to us," he says.

He also said: "Not a single serious figure in the Parliamentary Labour Party or on the National Executive Committee" is advocating such a pact.

Mr Cook goes on to criticise the signatories of the statements, including MPs Mr Ken Livingstone and Mr George Galloway, for being fixated on an imaginary plot and seeking "refuge in the old-fashioned light of Left oppositionalism."

After criticising Leninist and anti-democratic organisations in Labour Left Liaison, Mr Cook argues that, "the ghost of coalition will be laid to rest only by building support for Labour to the level at which we need no allies and all talk of coalition becomes irrelevant."

Satellite group names film channel chief

By Raymond Snoddy

BRITISH Satellite Broadcasting, Britain's direct broadcasting by satellite operator, has made its first senior programming appointment.

Mr Andy Birchall, until recently chief executive of Premier, the film channel for Cable television, had been appointed head of Screen BSB's planned subscription film channel.

Screen is one of four programme services planned for British DBS, scheduled to be launched in the autumn of 1989.

A high-power satellite will beam the channels direct to 35-cm-diameter dish aerials on individual houses.

Mr Birchall, 42, a former Pearson executive, has been involved in film cable channels for the past four years.

He said yesterday he was convinced that BSB would succeed and that the Screen channel would be able to get rights to the films it wanted at an early stage.

BSB, founding shareholders of which are Granada, Pearson (publisher of the Financial Times), Virgin and Anglia Television, has yet to announce the name of its chief executive.

The company says, however, that the job has been accepted by someone with extensive retail and marketing experience.

Cheltenham & Gloucester offers share deal service

BY HUGO DIXON

CHELTENHAM & GLOUCESTER, Britain's tenth largest building society, has become the latest high street financial institution aiming to capitalise on the wider share ownership boom.

From next year, it will offer a simple share dealing service in its 175 branches, which will concentrate on efficient transactions at a competitive.

The society is not, however, planning to give its clients sophisticated research. Mr Richard Hatt, its assistant general manager, said' "There is a growing market for a very simple transaction service."

The society gained experience in processing large volumes of paperwork whent it offered a share application and selling service during the privatisations of BAA and Rolls-Royce.

Those services were offered in conjunction with Quilter Goodison, the stockbroker. However, the dealing and settlement for the new service will be handled by Barclays de Zoete Wedd, another broker.

Mr Hatt said the two companies had agreed to part company, because the society wanted to deal in large volumes, whereas Quilter wished to concentrate on a more specialised service.

A similar arrangement between Quilter and Debenhams, the department store chain, was terminated last month. Quilter is now pursuing share dealing on the high street with Littlewoods.

Mr Hatt said Cheltenham and Gloucester had not yet determined its minimum commissions, but made clear tha tthe society did not want to operate a "deterrent pricing policy."

Allied Arab Bank slips

By David Lascelles

ALLIED ARAB Bank, the London-based consortium bank owned by Middle East interests and Barclays Bank, earned profits of £2.85m ($4.65m) in the first half of this year, before tax and general provisions. This marked a decline from earnings of £2.95m in the same period last year, and was due to the fall in interest rates and the cost of establishing new subsidiary operations.

The bank said it had not made any extra provisions against Third World debts, but would be reviewing the position in the second half of the year.

Barclays to launch fresh exchange hedging product

BY HUGO DIXON

BARCLAYS BANK will this month start offering a ovel way of eliminating the settlement risk in complex foreign-exchange swaps.

The interbank product known as an exchange-rate agreement (ERA), is claimed to be the first of its kind. Unlike other foreign-exchange hedging techniques, large sums are not transferred from one party to another and back again. Only the net amount owed at the end of the day is paid.

At present a bank wishing to buy dollars in a month's time and sell them in three months faces several transactions.

ERA will be confined to a single transaction. Banks will trade the difference between the premiums or discounts that one-month and three-month dollars are selling for at a particular date.

Barclays will initially make markets in dollar-sterling and dollar-D-Mark contracts alone. It hopes other banks will join in and that eventoally a third of all foerign echange swaps will be hedged in that way.

Midland Bank reacted favourably to the move. "What Barclays is doing is pretty good," said Mr Tim Goode, one of its treasurers. "The market will produce something even better soon."

Acid rain damaging wildlife, says report

ACID RAIN is doing widespread damage to British wildlife, according to a report to be published later this year. The report was commissioned by Wildlife Link, an umbrella organisation representing more than 30 leading wildlife, conservation and environmental groups.

It says many of the studies on air pollution and wildlife are very disturbing, and call for a planned and forceful government initiative, with substantial funding, to reduce pollution.

Airlines to compete on Stolport Paris route

By Michael Donne, Aerospace Correspondent

RIVAL air services to Paris will be launched by Brymon Airways and Eurocity Express from the £30m London City Airport — Stolport — when it opens on October 26.

Brymon, in which British Airways has a 40 per cent shareholding, will operate six return flights daily, Mondays to Fridays, between the Docklands airport and the Charles de Gaulle airport under a commercial agreement with Air France, signed yesterday. Because of that pact, Brymon will use the Air France Terminal Two at Charles de Gaulle airport.

Eurocity Express, part of the Airlines of Britain group which includes British Midland Airways, Manx Airlines and Loganair, will fly four return services daily, Mondays to Fridays, using Terminal One at Charles de Gaulle airport. Both airlines will fly less frequently at weekends.

Both airlines will be charging the Club Class London-Paris return fare at £200, or £100 single, but less for weekend and excursion travel.

The competition will lie primarily in the quality of inflight service, as both airlines charge identical fares.

Eurocity Express also said yesterday that it would start a three-times daily return service on October 26 between the new Stolport and Brussels, in co-operation with Sabena, the Belgian national airline. The return fare will be £192.

Both UK airlines will be using the quiet, four-engined turboprop Dash Seven, built by de Havilland Aircraft of Canada, the only aircraft so far approved for use at the Stolport.

Brymon and Eurocity plan to expand their networks out of the Stolport over the next few months, as their fleets of Dash Seven aircraft expand.

Eurocity, with two Dash Sevens delivered and three to come, has licences to fly to Manchester, Rotterdam, Dusseldorf and the Channel Islands, while Brymon, with two Dash Sevens and two to come, has licences to Amsterdam, Brussels, Plymouth and Newquay.

Brymon and Eurocity are discussing additional links with other airlines as a means of promoting traffic on their respective networks.

Mr Richard Bishop, Eurocity chairman, said yesterday that he hoped the Amsterdam services would start within a few months, and the Eurocity's entire Stolport network would be operational within a year.

Eurocity's investment so far in the venture amounted to between £4m and £5m, excluding aircraft, which were being leased. Mr Bishop expected Eurocity to be profitable in about three years.

Swiss insurer buys loss adjustment firm

By John Wicks in Zurich

SOCIETE GENERALE de Surveillance of Geneva, one of the world's largest insurance companies, has taken over Robins Davies and Little, the leading British firm providing loss-adjusting services to the insurance industry. No price has been given.

The acquisition is the latest in a series of takeovers in the UK, where institutions including the Merrett group, one of the biggest underwriting agents at Lloyd's of London, have bought loss-adjusting businesses recently.

With offices in more than 40 locations in the UK as well as in continental Europe, the Middle East, Asia, Africa and Australia, and a total of 700 employees worldwide, Robins Davies and Little had revenues totalling over £16m in the year ended March 31.

Like the Swiss group's existing US subsidiary, GAB Business Services, Robins is involved with the evaluation ...of insurance losses, the interpretation of insurance policies and recommendations concerning settlement.

SGS already owns the New York firm of Norman Reitman, which specialises in auditing services for insurance companies.

Private wealth four times as high as 10 years ago

BY RALPH ATKINS

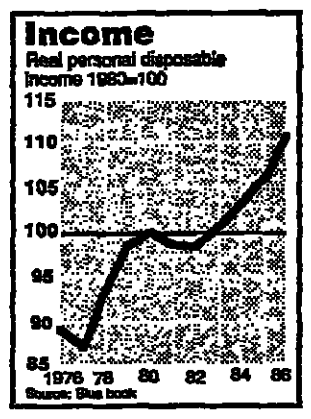
THE WEALTH of private individuals in Britain has quadrupled in the last ten years but the cost of living has multiplied just 2.4 times, according to official figures published today.

National accounts published by the Central Statistical Office show that the net wealth of the UK personal sector was £1,349bn in 1986—or about £23,800 a person. In 1976 average wealth was about £6,000.

The cost of living as measured by the gross domestic product deflator—used by statisticians to adjust national income figures for price increases—rose at an annual average rate of about 8 per cent in the period.

The accounts show that the total volume of goods and services produced in the UK increased by 3 per cent between 1985 and 1986. That is slightly higher than previous official estimates and takes national income to a level 11 per cent above the previous peak, in 1979.

Average prices rose by about 3 per cent between 1985 and 1986 while the total wealth of the UK rose 11.7 per cent to £1,809.6bn.



Since a trough in 1981, real national income growth has averaged about 2.8 per cent. That has ben fuelled by increases in consumer expenditure—which is now 28 per cent higher than its 1981 level. Investment in plant and machinery grew by 0.5 per cent between 1985 and 1986 and is now 24 per cent higher than the 1981 low point.

Private individuals have seen large increases in their incomes after tax and other deductions. Disposable incomes rose 8 per cent between 1985 and 1986—or about 4.5 per cent after accounting for inflation.

The bulk of the increase in personal incomes is due to higher wages and salaries, but there have also been substantial increases in income from pension and life assurance schemes.

Taxes paid by individuals as a percentage of total personal incomes derived from all sources fell from 15.5 per cent to 12.7 per cent between 1976 and 1979. By 1986 it had fallen to 12.6 per cent.

Personal wealth has been boosted by ig increases in the value of holdings of UK shares as a result of the Government privatisation programme, a drive to wider share ownership and a booming stock market. The average UK citizen now owns shares worth about £1,555 compared with £347 in 1986.

The value of houses owned by the personal sector quadrupled between 1976 and 1986. Outstanding borrowings of the sector stood at £237.5bn in 1986 compared with £47.9bn in 1976.

United Kingdom National Accounts 1987 Edition — the CSO Blue Book. HMSO, £11.95.

PM announces £15m order

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

MRS MARGARET THATCHER yesterday used the opportunity of a visit to the Glasgow company, James Howden, to tell the workforce that they had won a £15m contract to build tunnelling machines for the Channel Tunnel.

It was the high point of a generally warmly received five-hour visit to Glasgow, a Labour stronghold, during a tour of Scotland by the Prime Minister. Mrs Thatcher persuaded the James Howden workforce to give two loud cheers over the contract announcement.

James Howden, an offshoot of the Howden group, has already won a £6.4m order to build two tunnel-boring machines for the service tunnel running between the two Channel rail tunnels. The latest contract is for two larger boring machines for the main rail tunnels.

Mrs Thatcher noted that while a £100,000 contract for the design of the machines was assured, the contract to manufacture them depended on the success of the next equity raising effort by the Channel Tunnel consortium expected in the autumn.

"We're starting to dig the tunnel in Glasgow," Mrs Thatcher said, adding that Scottish companies had won £38m contracts for the tunnel, nearly half of all contracts awarded so far.

It is understood that the contract to build the other two boring machines for the rail tunnel have been won by the Robbins Markham joint venture, grouping Robbins, a US designer, with Markham, a Derbyshire engineering company.

Mrs Thatcher spent the rest of her visit to Glasgow seeing urban renewal projects concentrating on the Glasgow Eastern Area Renewal (Gear) scheme which is aimed at reviving the rundown area east of the city centre.

The Prime Minister saw a private housing development in the Bridgeston district, an area where no private houses have been built for more than 50 years. She pointed out that the role of the Scottish Development Agency, which partly funded the Gear project, was similar to that of urban development corporations, which the Government was fostering in rundown cities in England.

The SDA, she said, cleared the land and encouraged the private sector to move in. The public sector contribution could now be reduced, she said.

Mrs Thatcher's tour of Scotland, which ends today, has been intended to enable her to listen to the opinions of Scots, following the Conservative Party's disaster in the general election when it lost 11 of its 21 parliamentary seats.

But the Prime Minister, in exuberant form, has insisted the Government policies were correct and only their presentation was deficient.

Water meter test areas planned

BY RICHARD EVANS

THE AREAS chosen by the Government and the water industry for a series of controversial compulsory water metering experiment will be known next week.

A confidential document from the Water Companies' Association obtained by Nalgo, the local government union, says there is to be a public relations campaign, co-ordinated by the Department of the Environment to allay the anxiety of the public and some MPs.

The document was sent by the association, which represents the 29 private water companies in England and Wales, to its general managers. It discloses that ministers are nervous about the passage of the Public Utilities Transfer and Water Charges Bill through parliament, especially the Lords.

Managers are asked not to give MPs, the press or the public the impression that compulsory trials will definitely take place, or that areas have already been selected and cannot be altered, or that whatever the outcome of the trials, universal metering will be introduced.

According to Nalgo, that amounts to a campaign of disinformation. Plans for compulsory trials are already known: the areas must have been selected by now, and the Government's clear intention is to introduce metering nationally.

The Government announced its plans for about a dozen compulsory metering trials, one involving more than 50,000 households, when it published the water charges bill in July. The significance of the tests is that a fresh method of charging for domestic water must be found quickly, since domestic rates, on which present charges are based, are to be phased out from 1990.

Nervousness over the bill's passage through parliament is based on the fear that it will not only be opposed by Labour, Liberal and SDP MPs, but by many Conservatives who will object to the element of compulsion.

Timesharing 'unlikely to prove wise investment'

BY DAVID CHURCHILL, LEISURE INDUSTRY CORRESPONDENT

THE TIMESHARE system of buying a holiday property is unlikely to prove a wise financial investment, the Consumers' Association warned yesterday.

Timesharing enables holiday-makers to buy the use of a property for a few weeks each year. There are about 100,000 timeshare owners in the UK with properties in more than 2,000 resorts worldwide.

A survey of timeshare owners carried out by the association and published in the latest issue of Holiday Which? magazine, shows that two thirds of those who had tried to sell their timeshare had so far been unsuccessful.

A third of those surveyed had also had difficulties in trying to rent out their timeshare property.

The association points out: "There is no established resale market for timeshare and there is an oversupply of new properties for sale."

Timeshare owners who do manage to find a buyer are also likely to have to sell at a large discount, the association adds.

The association's survey found that some two out of every five timeshare owners considered that the investment potential of a timeshare was important.

But it showed that the extensive marketing costs for most timeshare developments can account for 40 per cent or more of the cost of a timeshare investment. Developers' profits account for another 30 per cent, which leaves only 30 per cent for the cost of the land and the actual building.

Shares fall 5p as Unigate director resigns

By Philip Coggan

MR DANIEL HODSON, Unigate's finance director and president of its US subsidiary, yesterday announcer his resignaion. He will be relinquishing his posts on Monday and leaving the board in March next year.

The news caused Unigate's shares to fall 5p to 384p, on speculation of management upheaval at the food products group. Mr John Clement, who has been chairman and chief executive since 1977, has a reputation as a tough manager and his early years were marked by a number of abrupt departures among senior executives.

But Mr Hodson, who has been finance director since 1981, said his decision had been reached amicably

Accountancy firms split over outside shareholders

By Richard Waters

OUTSIDERS should not be able to own accounting firms' shares, Peat Marwick McLintock, the country's largest firm, said yesterday.

That conflicts with a consensus reached by the senior partners of the eight biggest firms this week that the law should be relaxed to allow such shareholdings.

Mr Jim Butler, a senior partner in the firm, said there was a danger that changing ownership rules would jeopardise the independence of audits.

"I want to see the law hardened and a much more severe attitude taken by the Department of Trade," he said.

"I would hope there would be a measure of agreement in the corporate world and among regulators in the City.

"Financial institutions, as well as audit clients of a firm, should not be allowed to own shares in auditors.

"There could be intense pressure if we were auditing the customers of banks which owned our shares."

The difficulty of designing a system that permitted, but also restricted outside shareholdings "is likely to be so great as to make this course unworkable for all practical purposes," he said.

According to Peat Marwick, the Government should restrict ownership to employees, with at least 75 per cent of shares in the hands of qualified accountants. The other 5 per cent could be held by non-accounting partners and employees.

For most large accounting firms audit work comprises between half and two thirds of their fees, with tax advice, manangement consultancy and other services making up the remainder.

The Government said recently that it would allow accountancy firms to become limited liability companies. That will be enacted in the next Companies Act, due for the 1988-89 session of parliament. It has yet to decide who should own the shares in such companies.

Under the European Community's seventh company law directive, qualified auditors must retain majority voting rights and management control over accountancy businesses. Beyond that, there are no restrictions—opening the prospect of up to 49 per cent outside ownership.

Mercury in phone link with Japan

By David Thomas

MERCURY Communications, sole competitor to British Telecom, has reached an agreement with KDD, Japan's international telecommunications operator, to provide leased circuits between the UK and Japan.

The first customers are to be signed up this month for the new service, Mercury's first direct link with Japan.

Mercury, which has indirect private circuit links with many countries, is keen to extend its share of the lucrative international telecommunications traffic. It says it charges significantly less than BT for international traffic.

Mr Gordon Owen, managing director of Mercury, describing the link with Japan as of particular importance, said: "The addition of the Tokyo route means that we can now provide our business customers with competitive high-speed digital voice and data services to all major business centres in the world including New York, Hong Kong, Singapore, Sydney, Frankfurt and Zurich."

Ironically, a consortium involving Cable and Wireless, Mercury's parent, has been involved in a protracted wrangle over its bid to become a rival international telecommunications operator in Japan to KDD.

Mercury recently anounced its first public telecommunications link on the Continent with Italy.

Sinclair lap-top computer to be built by SCI

BY DAVID THOMAS

SIR CLIVE SINCLAIR, who sold out his computer interests to Amstrad last year, bounced back yesterday with the claim that his new lap-top computer "would be the world's top seller within 18 months."

Sir Clive has shifted assembly of the machine, called the Z88, to the UK factory of SCI, the US company which is the world's biggest electronics subcontractor.

SCI has taken a small stake in Cambridge Computer, Sir Clive's computer company, in a move designed to signal SCI's commitment to making the Z88 a high-quality product. Some of Sir Clive's previous computer products were beset by reports of poor manufacturing quality.

Anlysts said the Z88 was lighter and cheaper than its rivals but pointed out that demand for lap-tops worldwide had failed to take off.

Clive Sinclair: "top seller" claim.

The Z88, which costs £287.50, including VAT, is to be sold through Dixons and Comet, the high street retailers. It weighs less than 2 lb and is 22mm thick.

The machine, which has 20K of memory, contains built-in software covering word processing, spreadsheet, calculator, diary, database, calendar, clock and BBC Basic. It has batteries giving 20 hours of solid computing and one year of stand-by operations.

Among the extras that can be bought are additional memory, mains lead, a modem that connects to the telephone and a link with desktop personal computers.

The assembly work has been shifted from Thorn EMI, the UK electronics group that assembled the initial machines, to SCI's factory in Irvine, Scotland. The factory will soon be producing 2,000 Z88s a week and will be adding 50 workers to the present workforce of 650.

The size of SCI's stake in Cambridge Computer was not disclosed. Sir Clive holds 55 per cent, Sinclair Research (Sir Clive's holding company) 8.5 per cent and employees 20 per cent. Mr Barry Eames, managing director of SCI UK, who is joining the board of Cambridge Computer, said he wanted to be closely involved in the Z88.

Sir Clive said initial sales would be in the UK, but the Z88 would go on sale in the US, the Continent and the Far East netx year. SCI, which has exclusive manufacturing rights, might make the machines in its other plants for those markets.

Sir Clive added that he hoped sales outside the UK would be more than those in the UK by the end of next year.

Boots advances plan for children's shops

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

BOOTS GROUP is to speed up the store opening programme for Children's World, its new retailing venture.

It will open one new outlet a month from next year, Mr Alan Ripley, managing director of the subsidiary said yesterday. "We have a success story on our hands," he said.

The decision to press ahead with the £100m development project, originally planned to be phased over five years, followed a review in July of the first three stores' performance.

The target of 40 outlets is now expected to be reached in 1990. The chain will also be promoted through national television advertising next year. Publicity so far has been limited to local media.

The first store was opened last February in a shopping centre in Dudley, West Midlands, offering one-stop shopping for parents with children up to the age of 10.

Most of the new stores would be in the south-east. "That is where the children are and where the money is," Mr Ripley said. But other areas, as success with a Rotherham opening had shown, were also promising.

The formula is to remain broadly unchanged, with a wide range of clothing, furnishings, toys, nursery equipment, hairdressing and fashion concessions representing Benetton, Dash and Clarks shoes.

However, Mr Ripley said, the company would add catering to its new ventures by taking over running of stores' cafes from Trusthouse Forte.

In the past three years, several leading retailers, including Toys 'R' Us of the US, Sears and Woolworth Holdings, have developed specialist children's chains to attack a market sector developed by Mothercare, but still greatly fragmented.

Independent toy shops have been the first to suffer from the multiples' assault, but department stores and other traditional outlets for children's goods have also been affected.

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Tourist spending near record after setback

BY DAVID CHURCHILL, LEISURE INDUSTRY CORRESPONDENT

THE BRITISH tourist industry recovered strongly last year from the effects of the US bombing raids on Libya and the Chernobyl nuclear disaster, the British Tourist Authority disclosed yesterday.

Mr Duncan Bluck, the BTA's chairman, said yesterday on publication of the authority's annual report: "Last year was a particularly challenging year for the tourism industry."

He reported that spending by overseas visitors in Britain in 1986 reached £6.7bn, almost equal to the record-breaking 1985 level.

"This demonstrates the resilience of our tourism industry and the wide spread of our market sources," he added.

Mr Bluck confirmed the latest trend in tourism figures, which showed that this year is likely to be the best year ever for British tourism in terms of the number of visitors and the amount spent.

Mr Bluck also pointed out yesterday that although the industry suffered last year because of the drop in American tourists, vistitors from North America only represented about a quarter of overseas visitor expenditure in Britain.

The British tourist industry, according to the BTA's report, is now the fifth largest in the world after the US, Italy, Spain and France.

Mr Bluck said: "Twenty-five years ago both France and Italy were earning more US tourist dollars than Britain, but now we earn more US tourist dollars than both those countries combined."

The outlook for British tourism is also healthy, said Mr Bluck. "We see no reason why tourism should not continue to grow steadily into the 1990s and beyond," he said. "We would expect that by the early 1990s this industry would be generating wealth to the order of £23bn a year in Britain."

Car recall service set up

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

OWNERS wanting to find out whether their vehicles are subject to a safety recall now have an additional contact point because the Society of Motor Manufacturers and Traders has set up a "recall information point."

It will support the previous procedure under which manufacturers and dealers supplied the information.

Since the recall system was started in the second half of 1979 there have been 547 recalls including 190 for cars, involving potential safety hazards in about 3m vehicles. The recall system comes into action when a significant defect likely to affect a vehicle's safety is identified in a product after it has been sold.

With the co-operation of the Department of Transport, the manufacturer or his agent then contacts all owners of the affected vehicles, recalling them free of charge for inspection and the necessary rectification work.

Telephone inquiries to the society should be made on 01-235 7000. Written inquiries should be addressed to the SMMT, Consumer Affairs Department, Forbes House, Halkin Street, London SW1X 7DS.

Property prices 'starting to level off'

By Ralph Atkins

FURTHER EVIDENCE that house prices are starting to level off comes in the latest figures from the Halifax, Britain's biggest building society. Its latest survey shows that house prices rose by 3.5 per cent in the three months to the end of August 1987 compared with 4.2 per cent in the quarter to July.

However, the annual rate of increse is still considerably ahead of retail price inflation. In the year to August, house prices rose 14.5 per cent, slightly above the 14.3 per cent reported for the year to July. The annual rate of retail price inflation is currently about 4.4 per cent.

House prices continued to rise fastest in East Anglia. The average rise of 27.3 per cent in the year to August reflects the completion of the M25 motorway and the electrification of the London-to-Cambridge railway line.

The rate of increase in London eased from 23.7 per cent to 22.6. However, in the south-east region, prices accelerated from 22.9 per cent to just above 23 per cent.

The East and West Midlands also saw a slight rise in the rate

The average house price in Britain is now £48,617 and new house prices average £55,236.

Nick Bunker looks at the component parts of Lloyd's underwriting businesses

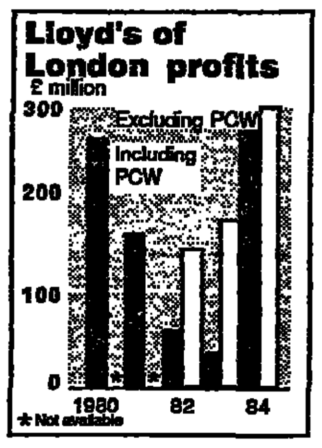
Insurance swings and roundabouts

IT WAS Mr Warren Buffett, one of the gurus of the US investment community, who summed up the trouble any lay-person has with insurance accounts. "Unfortunately," he said, "the financial statements of a property/casualty insurer provide at best a rough draft of earnings and financial condition."

That dictum applies with special force to the global report and accounts of Lloyd's of London, published yesterday, which showed that the 400 or so Lloyd's syndicates made between them a profit of £300m in 1984, up from £179m the year before.

There are two clear messages from the results. "First, premium rates are falling in marine insurance because of "intense competition." The second point is historical, and shows the extent of the damage non-marine underwriters at Lloyd's suffered from US general liability insurance during the early to mid-1980s.

On premium income of £1.198bn, the 100 or so non-marine syndicates managed a profit of £314,000. Yet within that the general liability account—insuring, say, international accountancy firms against negligence lawsuits, or US corporations—was still poor. In 1983, the underwriting loss was £384.4m, and in 1984 it improved, but still showed a loss of £257m.



Lloyd's underwriters attribute that to a combination of inflated damages awards by American law courts, plus years of price cutting among insurers. Mr Peter Miller, Lloyd's chairman, said there were also now disturbing signs of a re-emergence of price competition among insurers of US non-marine business.

It is hard, nevertheless, to quarrel with Mr Miller's overall assessment. The figures, based on a simple aggregation of audited syndicate accounts, are "something of a snapshot," he said—a very rough draft of insurance history.

This is because of three things: first, the three-year accounting period which Lloyd's uses. Lloyd's syndicates have only in the last six months paid out profits to, or shared losses among, the 23,438 people who were underwriting members of Lloyd's in 1984.

Second, some of the basic concepts for analysing insurance company accounts—such as attempting to compute the return underwriters make on capital employed—are alien to Lloyd's.

The third factor is more important, and relates to the special role occupied by Lloyd's and its satellite companies in the world insurance scene.

With total premium income in 1985 of £7.4bn, Lloyd's is not the world's biggest insurer in terms of revenues. That title actually belongs to a group virtually unknown in the UK, State Farm, a mutual insurance company mainly writing US automobile insurance and based in Bloomington, Illinois. In 1985, its 1985 net premiums were $14.1bn (£8.75bn).

Where Lloyd's scores most heavily is as a specialist underwriter in three fields: marine insurance (where its world market share is about 40 per cent); aviation business; and some classes of reinsurance, much of which fall into the Lloyd's non-marine market.

That accounts for the complexity, the ambiguity but also the specialist interest of the Lloyd's globals. While property/casualty insurance is a notoriously cyclical business, the Lloyd's accounts show a market in which results are driven by several distinct, specialist business cycles operating out of phase with each other.

Peter Miller: competition for US business.

In marine business, Lloyd's has paid out perhaps £1bn in claims relating to shipping losses in the Arabian Gulf since 1980, according to Mr Christopher Rome, chairman of the Lloyd's Underwriters' Association. This, however, is not the biggest underlying issue. While 1984 was an "acceptably good year," he said, with an underwriting profit of £186m, against £162m in 1983, the signs are that the profits have attracted new competitors who are forcing permium rates down.

Mr Rome said there was more capacity in the market "for which there is simply insufficient business"—given that half the world's oil rigs are laid up, and world tanker and general shipping business is depressed.

As regards aviation, the important feature is that world insurance capacity is less widely spread—with the London market taking most of the risks—and so underwriters there have to raise rates after a spate of catastrophic losses.

So 1986 looks like being a good year for underwriters, partly because 1985—the "worst ever year" for civil aviation disasters—caused premium rates to rise.

In the third area, motor insurance, Lloyd's underwriters in 1984 made an underwriting loss of £24m. That follows the pattern set by British composite insurers, because of rising frequency of claims and underpricing of policies in the early to mid-1980s. Like the composite companies, however, Lloyd's underwriters are now getting what they call "realistic" rates increases that are likely to continue throughout 1987.

WORLD CAR MARKETS

UNITED STATES — January-June

	1986	%	1987	%
Domestic	4,139,979	73.3	3,642,525	71.6
Imports	1,506,897	26.7	1,443,340	28.4
Total market	5,646,876	100.0	5,085,865	100.0
DOMESTIC				
General Motors*	2,453,152	43.4	1,911,970	37.6
Ford*	1,014,166	17.9	1,031,187	20.3
Chrysler*	632,046	11.2	543,588	10.7
Honda	92,430	1.6	154,811	3.0
Nissan	25,370	0.4	64,790	1.3
Volkswagen	39,091	0.7	33,831	0.7
Toyota	0	0.0	18,282	0.4
American Motors	35,206	0.6	16,399	0.3
LEADING IMPORTERS				
Toyota	277,848	4.9	242,808	4.8
Nissan	238,312	4.2	211,284	4.2
Honda (incl Acura)	214,009	3.8	182,228	3.6
Hyundai	52,396	0.9	127,056	2.5
Mitsubishi	88,158	1.6	101,075	2.0
Mazda	103,506	1.8	89,573	1.8
Volkswagen-Audi	109,879	1.9	87,742	1.7
Subaru	91,463	1.6	77,514	1.5
Volvo	63,423	1.1	61,964	1.2

JAPAN — January-June

	1986	%	1987	%
Domestic	1,586,970	98.0	1,611,957	97.3
Imports	32,240	2.0	44,456	2.7
Total market	1,619,210	100.0	1,656,413	100.0
DOMESTIC				
Toyota	714,361	44.1	715,914	43.2
Nissan	392,990	24.3	379,605	22.9
Honda	153,959	9.5	153,293	9.3
Mazda	98,275	6.1	100,372	6.1
Mitsubishi	76,365	4.7	79,733	4.8
Daihatsu	50,124	3.1	41,711	2.5
Fuji (Subaru)	38,677	2.4	33,868	2.0
Suzuki	32,484	2.0	31,763	1.9
Isuzu	30,335	1.9	31,262	1.9
LEADING IMPORTERS				
Volkswagen-Audi	11,092	0.7	13,961	0.8
BMW	8,093	0.5	10,050	0.6
Daimler-Benz (Mercedes)	6,497	0.4	9,114	0.5

WEST GERMANY — January-June

	1986	%	1987	%
Domestic	1,037,836	70.3	1,057,515	70.7
Imports	439,166	29.7	437,895	29.3
Total market	1,477,002	100.0	1,495,410	100.0
DOMESTIC				
Volkswagen	333,706	22.6	328,461	22.0
Audi	79,621	5.4	106,470	7.1
Seat	2,387	0.2	4,990	0.3
Total VW group	415,714	28.1	439,921	29.4
General Motors-Opel	230,065	15.6	240,192	16.1
Ford	158,017	10.7	152,784	10.2
Daimler-Benz (Mercedes)	154,511	10.5	150,529	10.1
BMW	79,283	5.4	78,595	5.3
LEADING IMPORTERS				
Fiat/Alfa Romeo/Lancia	72,917	4.9	70,455	4.7
Peugeot-Citroen	69,886	4.7	65,628	4.4
Renault	49,901	3.4	50,081	3.3
Toyota	46,139	3.1	45,308	3.0
Mazda	43,151	2.9	44,112	2.9
Nissan	40,965	2.8	40,912	2.7

UNITED KINGDOM — January-June

	1986	%	1987	%
Domestic	428,320	44.4	500,798	49.9
Imports	819,409	84.9	862,922	86.1
Total market	964,706	100.0	1,002,742	100.0
DOMESTIC				
Ford*	257,921	26.7	290,802	29.0
Rover	159,821	16.6	157,638	15.7
Vauxhall/Opel*	154,635	16.0	137,873	13.8
Peugeot Talbot*	42,796	4.4	46,933	4.7
Citroen	16,845	1.8	20,830	2.1
Total Peugeot group	59,641	6.2	67,763	6.8
Jaguar/Daimler	3,884	0.4	5,813	0.6
LEADING IMPORTERS				
Volkswagen-Audi	59,673	6.2	57,679	5.8
Nissan	50,734	5.3	50,329	5.0
Renault	35,172	3.7	41,140	4.1
Volvo	35,513	3.7	36,518	3.7
Fiat	31,390	3.3	34,055	3.4
Alfa Romeo	1,082	0.1	719	0.1
Lancia	1,409	0.2	1,577	0.2
Total Fiat group	33,881	3.6	36,351	3.7

* Including some imports

Europe buoyant, Japan steady, US sharply down

By Kenneth Gooding, Motor Industries Correspondent

THE US new car market returned to a state of turmoil during the first half of this year as General Motors, the Buick-Cadillac-Chevrolet - Oldsmobile-Pontiac group, struggled to stop an almost unprecedented drop in its market share. In doing so, GM led the rest of the industry into another intensive incentives war, *involving low-cost finance* schemes and cash payments to tempt new car buyers.

But all the efforts could not prevent US new car sales in the first half falling by nearly 10 per cent compared with the same months of 1986. This contrasts sharply with trends in the other two main regional markets—Western Europe and Japan.

Against widespread expectations, car sales in Europe continued to climb from the record levels of last year. In the first half they showed an advance of more than 5 per cent to reach about 6.49m, well ahead of the 5.09m in the US. Sales incentives and a continued plethora of new models also buoyed up the Japanese car market which held steady at 1.66m.

This left total car sales in the three major regions about 1.5 per cent below those for the first half of 1986 at 13.24m.

Most observers now expect this year's US new car sales to show a substantial fall from the record 11.45m in 1986, perhaps to between 10m and 10.5m.

GM, the world's largest automotive group, watched almost helplessly as its first-half unit sales fell by 22 per cent and its market share slumped from 43.4 per cent to 37.6 per cent. Any substantial recovery will probably have to wait until its new mid-range cars, the so-called GM10 models, are launched this autumn.

These meet head-on the Topaz and Sable—the models which have spearheaded Ford's recovery in the US. In the first half of this year Ford, now the most profitable automotive company in the world, saw its unit sales increase by 1.7 per cent and its market share jump by more than two points to 20.3 per cent.

But Chrysler, third-largest of the US car groups, did not benefit from GM's fall from grace. Its unit sales fell by 14 per cent and its market share slipped by half a point to 10.7 per cent.

The relatively weak performance by two of the three major domestic producers in the US enabled the share of the market taken by imports to reach record levels: 28.4 per cent has never been reached before.

Hyundai of South Korea, which entered the US market only two years ago, continued to make substantial — if somewhat less startling — progress, pushing its share of the market to 2.5 per cent compared with the 1.5 per cent for the whole of 1986.

But there were mixed fortunes for European imports. West German car sales suffered from the steep increase in prices which followed the fall in the value of the dollar against the D-mark last year.

Volkswagen-Audi's difficulties were compounded by a highly-publicised investigation into allegations that some Audi models with automatic transmissions were liable to accelerate unexpectedly. VW-Audi's US sales dropped to a level which enabled *Mazda* of Japan to overtake the German group in the importers' league table for the first time.

The Japanese, who account for about one quarter of the US market, have had to increase *prices substantially to* compensate to some extent for the weakness of the dollar. Nor were they able to escape embroilment in the marketing warfare. Currently most Japanese companies are fighting for car sales as never before.

There are signs that the Japanese might have to struggle to meet the "voluntary" quota agreed between their government and the US authorities: 2.3m in the year which ends on April 1. They have not been *able to offset* their setbacks in the US by turning more cars towards Western Europe as they did early in 1986. There was such a protectionist outcry that the Japanese Ministry of International Trade and Industry urged the manufacturers to exercise restraint to avoid further friction.

The car makers cut back drastically on shipments from Japan to the European Community countries in the second half of 1986 but the full impact was not felt not until the first part of this year. The Japanese share of the 17 main West European car markets slipped from 11.7 per cent to 11.1 per cent in the first half, not a major decline, but psychologically significant as it followed three years of soaring growth in the region.

In Western Europe, Fiat of Italy (which also makes Lancia, Autobianchi and Ferrari cars) was helped by *its acquisition of* Alfa Romeo to top the European producers' league table in the first half with 15 per cent of the 6.49m cars *sold, up from* 14.7 per cent of 6.17m in the first half of 1986.

The Italian group *displaced* VW-Audi at the top of the table even though the West German group now has the benefit of *including* sales from its new subsidiary, Seat of Spain, in which it took a controlling shareholding earlier this year. *VW-Audi-Seat ended the half-*year with a 14.8 per cent European market share (14.6 per cent in the same months last year).

Ford, with a share up from 11.6 per cent to 11.8 per cent, and the *Peugeot-Citroen-Talbot* group, up from 11.2 per cent to 11.6 per cent, improved their positions.

General Motors, which uses the Opel and Vauxhall names in Europe, is now concentrating *hard* on trying to make a profit in Europe rather than buying market share, and fell from 11.4 per cent to 10.9 per cent.

At the same time, Renault, the state-owned French group *which only four years ago* was the West European market leader, seems to have turned the corner and its share moved up from 10 per cent to 10.4 per cent.

As for individual European countries, the recovery which started last year in West Germany, Europe's largest market, showed some hesitation. Nevertheless, sales in Germany improved by more than 1 per cent in the half-year.

The six months were particularly marked by a *recovery* by Ford, which two years ago was overtaken by Daimler-Benz following the introduction of successful new *Mercedes* models. Ford, which has a much wider—and cheaper—range of products than Daimler, regained third place in the German market during the first half, but only by a hair's breadth. Ford's *performance* was boosted by the introduction of a version of the Sierra, its mid-range car, with a boot or trunk.

VW's up-market subsidiary, Audi, which made the biggest market share gains in the half-year, also benefited from a new model: the Audi 80 which has been selling so fast that the factory cannot keep pace.

Car sales in other main European markets showed useful gains, often from record heights achieved in 1986. But Spain out-performed every other country in Europe by producing a jump of no less than 50 per cent *in the first half to* 458,000. This followed a 20 per cent rise last year and stems from a variety of factors such as lower interest rates, consumer confidence, political stability (the Government was re-elected last year) and entry to the EEC at the beginning of 1986.

In Japan there were two significant straws in the wind during the first half. Honda's previously uninterrupted climb came to an end after nearly 10 years and the company suffered *its first — albeit marginal*— decline in market share. Observers will be watching closely to see if the set-back continues in the second half.

Meanwhile, imported cars achieved a record share of the *Japanese market in the first* half. The import registrations showed a year-on-year improvement for 42 months in a row up to June this year. Action taken by the Japanese authorities to ease the burden of technical testing on low-volume car imports had the desired effect. However, imports still account for a miserly percentage of the Japanese car market—under 3 per cent compared with the 25 per cent the Japanese hold in the US and their 11 per cent in Western Europe.

The European manufacturers, who account for the vast majority of car imports to Japan, say they will not stop putting pressure on the Japanese to take further steps *to open up their car market* until Europe has won at least 5 per cent of total sales.

FRANCE — January-June

	1986	%	1987	%
Domestic	595,341	63.5	642,821	64.3
Imports	341,471	36.5	357,528	35.7
Total market	936,812	100.0	1,000,349	100.0
DOMESTIC				
Peugeot	195,351	20.9	202,867	20.3
Citroen	108,151	11.5	133,596	13.4
Talbot	4,306	0.5	13	0.0
Total Peugeot group	307,862	32.9	336,476	33.6
Renault	287,471	30.7	306,336	30.6
LEADING IMPORTERS				
Volkswagen/Audi/Seat	71,796	7.7	71,862	7.2
Fiat/Alfa Romeo/Lancia	62,609	6.7	71,123	7.1
Ford	66,148	7.1	69,983	7.0
General Motors-Opel	45,133	4.8	45,122	4.5

ITALY — January-June

	1986	%	1987	%
Domestic	642,059	62.1	695,862	60.9
Imports	392,051	37.9	440,051	39.1
Total market	1,034,110	100.0	1,141,913	100.0
DOMESTIC				
Fiat	467,704	45.1	504,151	44.1
Alfa Romeo	68,225	6.6	67,757	5.9
Lancia/Autobianchi	96,012	9.3	113,753	10.0
Total Fiat group	631,941	61.0	686,213	60.1
LEADING IMPORTERS				
Volkswagen-Audi	81,944	7.9	94,702	8.2
Renault	84,770	8.2	89,138	7.8
Peugeot-Citroen	74,166	7.2	83,249	7.3
Ford	40,166	3.9	44,972	3.9
General Motors-Opel	32,824	3.2	34,621	3.0

* Including some imports

THE EUROPEAN COMMUNITY

Malcolm Levitt argues for improved management in Brussels

A question of accountability

THE CURRENT problem facing the European Community budget is clearly political: how to reconcile those countries which want to spend more on regional/social projects; those which want to protect their farming interests; the UK which refuses to consider increased spending until farming subsidies are effectively controlled; and West Germany, which appears to oppose both higher spending and agricultural restraint. *In these circumstances* there appears to be little that the European Commission (the Brussels bureaucracy) can do *on its own to improve budget* management.

But the political demarche over matters of grand policy should not be confused with the more prosaic task of improving the management of the Commission's business generally, and of the budget in particular.

The Budget Commissioner, Mr Hening Christopherson, recognises the need to do something to improve the quality of management.

The first thing to acknowledge is the daunting scope of the task—the introduction of modern management methods into the Commission will require a major change in the culture and the professional skills of its 14,000 staff. The *culture is not one where inquiring* about the objectives of spending and the most efficient options available for meeting them—or about the effectiveness of spending—are common. Nor is it a culture where enough managers or staff feel personal responsibility for improving the efficiency of the resources they control or the spending programmes they advise upon. The professional culture is too often legalistic: "we spend this amount on that project because it follows from Directive XYZ of 1972."

It is also one where in the *past, even among those in the* central Budget Directorate General, the main emphasis has often been on demonstrating the presence of the European Community by spending as much as possible—rather than on financial restraint.

In this sort of environment the professional skills needed to improve the financial management of the Commission's business are not fully utilised *insofar as they already exist.* Moreover their dearth is not clearly acknowledged; recent proposals for strengthening staff training (in the Commission's "Medium Term Training Strategy") are noticeably vague on this point.

It is a culture where motivation and commitment, although still remarkably high among some staff, need to be improved. Despair or cynicism is widespread among those staff who have seen worthwhile initiatives *flounder over the years,* usually as a result of disputes between member states. Many

The introduction of modern management methods into the Commission will require a major change in the culture and professional skills of its staff

feel that as long as political disputes and horse-trading among member states dominate the budget, improved management can do little.

What needs to be done to strengthen budgetary management and what can the Commission do to improve matters?

A basic problem is that, in contrast to any of the member states, there is no single budgetary authority to exercise financial discipline. The Commission's Directorate General for the Budget co-ordinates the budget bids of the spending DGs and the Commission pre-prepares a draft budget for consideration by the Council *(composed by member states)* and by the European Parliament. Key decisions are taken by individual Councils (eg, price fixing by the Agricultural Council). The Parliament tends to favour greater spending on *the regional and social funds* than the Council is prepared to accept; the Commission's Budget DG has no authority to impose financial discipline on other DGs. Half the current year passed with no agreed budget.

Clearly major institutional reform is needed to establish an effective budgetary authority but such reform is beyond the power of the Commission. On *the other hand greater power* for the Commission itself is unattractive to the Council, because of its members' wish to control the ceiling on revenue ("own resources") and their concern about the quality of the Commission's management.

Within the Commission itself traditionally the Budget DG has not imposed constraints on spending; nor has it queried the purposes, effectiveness or efficiency of spending; nor are proposed new expenditures subject *to rigorous* ex-ante appraisal, monitoring, or ex-post evaluation; nor has it sought to ensure that the spending DGs have effective procedures of their own to deal with such issues. This needs to change. Progress will involve the establishment of effective procedures and guidance on financial management, with much clearer definition of responsibilities and *duties for staff* at all levels concerned with managing or advising on spending. Their skills will need to be strengthened and their accountability made much more stringent.

The supply of the necessary accounting and financial management skills within the Commission is limited; well-focused training, recruitment *and outside consultancy* will be needed to achieve improvements. Staff performance in managing resources and improving value for money has not, traditionally, been an important consideration in staff appraisal; *this must change.* Many procedures are highly centralised and subject to detailed regulation, and although there is now greater recognition of the need for more decentralisation it is not clear what should or will be decentralised, to what management levels, and with what audit, or monitoring. Before greater decentralisation can be established, however, there must be assurance that the staff to be given greater freedom have the necessary skills and are subject to effective auditing.

Very few measures of performance are available, whether in terms of routine clerical performance (files/costs per head of staff, timeliness, error rates) or final output (net jobs created as a result of EC initiatives, people in work for which EC supported schemes trained them). Greater efforts are *needed to establish and publish* performance measures.

Finally, the Commission is subject to too little effective outside scrutiny in terms of the value for money it produces. The European Court of Auditors *has a role to play here,* although it has traditionally concentrated on the legal propriety of spending rather *than "economy, efficiency and* effectiveness." Its reports are often late to apepar and too little action is taken to remedy defects which they expose. Unfortunately it has tended to be seen as a rival rather than an ally of the Commission Budget DG.

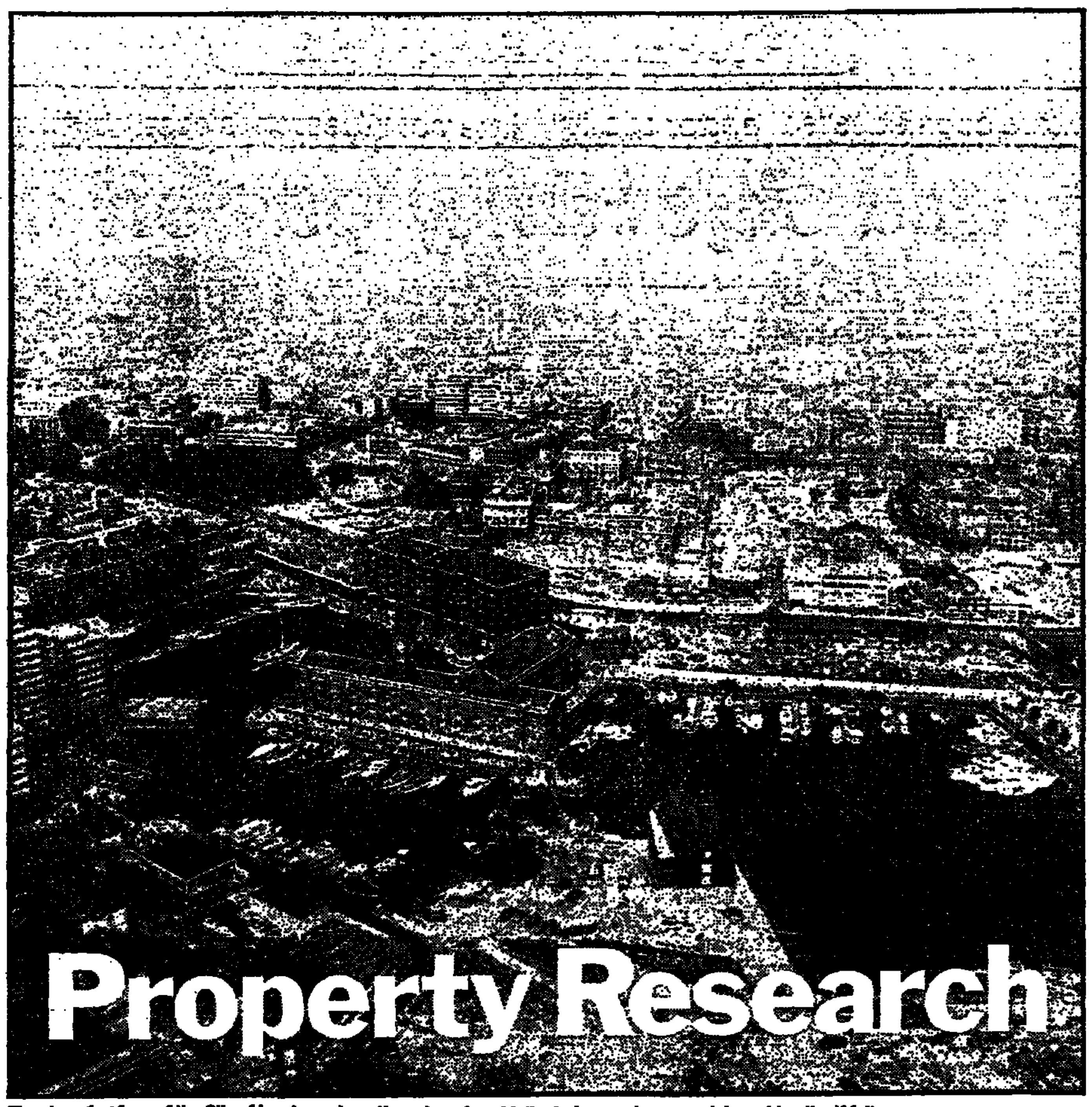
Important reforms for improving the co-ordination of *regional and social fund spending* are being introduced and the Commission has just proposed improvements in the management of unspent commitments. But Mr Christopherson and his colleagues have a long hard slog ahead of them to improve the motivation and skills of the staff. In many respects the management of the Commission's *business is not only a long way* behind best practice in the private sector, but also behind the standards being attained as result of public sector financial management initiatives in the UK and other countries.

There are many things which the Commission can do by itself to improve matters, and clearer signs are needed that they are being undertaken.

The author is a senior consultant with Ernst & Whinney. A former UK Treasury official, he was head of the European Commission's Budgetary Analysis Division in the 1970s. The views expressed above are personal.

FINANCIAL TIMES SURVEY

The status of research within the property industry has improved dramatically within the past few years. But clients are no longer the grateful recipients of unsolicited research reports. They have started asking questions of a growing range of specialists, says **William Cochrane.**



The changing face of the City of London, where the value of sophisticated property research is making itself felt.

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Providing the right answers

PROPERTY RESEARCH has a short history. Major firms of chartered surveyors took it up in the 1970s, following the stockbrokers who began to analyse property shares in the decade before.

At the beginning of the 1980s, property research felt like the early days of equity investment analysis in the 1960s, when stockbrokers' analysts were the tool of the salesmen, and "slide-rule man" was a pejorative term. It has moved on since then.

"Property research is in a transition stage," says Mr Fer Dijkstra, head of research at agents Knight Frank & Rutley. "The first stage was about public relations, improving a firm's professional image (and that of major estate agencies in general), gaining publicity, communicating expertise in certain areas and building confidence in the firm . . ."

"The second stage is about fulfilling the promises made in the first," he says. "Clients and potential clients are no longer the grateful recipients of unsolicited research reports. They have started asking questions."

"The consulting side of research will gain significance," forecasts Mr Dijkstra. "Higher demands will be made on researchers to come up with practical answers on questions which are important to clients rather than produce noncommittal comments on topics of researchers' choice."

Top agents Jones Lang Wootton say that they have begun this process already. Mrs Honor Chapman, head of JLW Research, says that it has recently begun offering its Central London and Greater London office research database, and the firm's whole library service to firms and individuals who wish to pay for it; and this is merely an indication of a major evolution.

"We are well over 40 strong at JLW Research and we expect to grow further," she says. "We are aiming to major on consultancy and research and to build JLW Research as a major management consultancy and research operation." Mrs Chapman thinks this is one of the most significant things which has happened in the 1980s, not just for JLW but for the property industry as a whole.

She breaks up research into four main divisions: fundamental research which produces a new product, like bringing risk analysis into property development; fundamental research into an individual sector of the property market; consultancy, which draws upon the other two; and specialised information bases.

"Most research departments will have all four if they're any good," she comments.

"We're in a niche market which happens to be property," says Mrs Chapman. "In some cases we're competing head-on with management consultants; equally we have done market research (for the upmarket Chelsea harbour development, for example) which brings us into direct competition with specialised market research organisations."

The status of research within the property industry has improved immeasurably in recent years. Mr Iain Reid, new head of research at Richard Ellis following the retirement of his predecessor, John Orton, confirms this:

Two years ago, probably even less than that, I wouldn't even have considered doing this job," says Mr Reid. "The situation has changed dramatically," he adds. "There is a much clearer and wider perception of the role of research in the industry—as a separate service to clients . . . a service which they can buy, not just a promotional gambit."

He cites the Prudential's appointment of Andrew Baum—until now Reader in the Centre for Studies in Property Valuation and Management at City University, London—to the new post of property research manager as further evidence

Mr Reid adds that the demand for international research is growing especially fast. "Bigger investors are positively looking for international diversification at the moment, and the top firms in this business are well placed to take advantage of this."

The top firms in the business will increasingly include stockbrokers and investment/merchant bankers, as the trend towards single property investment vehicles—bringing thousands of shareholders into the ownership of one office building, or shopping centre—is brought to fruition.

Solid research also comes from specialist consultancies such as APR and PMA and specialist databases FOCUS and IPD. The products of some of these companies are so attractive that it will be surprising if some do not become takeover targets in the future.

The research sector is not homogenous. Architects like Mr Frank Duffy of DEGW have made exceptional contributions and there are civil servants, company directors, quantity surveyors and management consultants, auctioneers, investment managers and news agencies to add to the list.

They have made giant strides in the past three years; and with them, conceivably, the property industry may be moving into its majority.

The big impact of academics

UNIVERSITIES at Oxford, Cambridge, London and Aberdeen, Sussex and Southampton have all made their impact on the growth of commercial property research. Even some academic organisations like Calus—the Centre for Advanced Land Use Studies at Reading's College of Estate Management—have dropped a bomb or two in their time.

Calus's early 1980s study on the impact of information technology (IT) on the office property market, published in February 1983, challenged the then perceived wisdom that new technology would mean reduced demand for office space and substantial job losses, and said that IT affected the quality, rather than the quantity, of space required.

"It's that sort of research that the property market really needs," says Yu Shi Ming, a lecturer in the Department of Building and Estate Management at the National University of Singapore. Mr Yu is currently in Reading, casting a detached eye over "Information Needs and Systems in Property Investment Analysis" on his way to a PhD.

He is particularly interested in the waves, rather than the ripples of change, like those which seriously affect demand for a type of property, or those which bring companies not previously involved in property into active participation in the industry.

Mr John Leonard, director of Calus, acknowledges that the centre has achieved this more than once, most recently with Francis Salway's study on the Depreciation (i.e. obsolescence) of Commercial Property.

Among other things, this study shook, or badly damaged, existing theories on building design, duration of leases and property valuation. Combined with the IT study, it had strong implications for the Central London office market at a time—mid-1986—when new office construction was beginning to boom.

"It is not uncommon to find," Mr Salway said then, "that the capital value of a building is no more than 35 per cent of that of its modern equivalent." Seeing this, the ultimate equity funders of a new building would have to look carefully at the claims of the developer; and it is no secret that equity funding, or the provision of it, is what has worried observers of the office development boom in the last couple of years.

Also based at Reading is a group of academics—planner Michael Breheny, economist Paul Cheshire, professors Alan Evans and Peter Hall, and planner/economist Dr Douglas Hart, who are in partnership under the name of Spatial and Economic Associates, as advisers on locational, economic, environmental and development issues.

Last year SE Associates finished a report on East Anglia—"Eastern Promise: Development Prospects for the M11 Corridor"—for the multi-discipline firm of Derrick Wade and Waters, in time to anticipate the unprecedented rise in house prices which has taken place there this year.

Current projects include a survey of the "New North" for the same firm which may suggest that the country divides along longitudinal lines, rather than laterally and north of Watford; economic development projects for Colchester and, inter alia, an examination of the links between land values and house prices for the House Builders Federation which, says Mr Breheny, may produce a variation on the usual chicken-and-egg theories.

The important thing, says Mr Leonard, is that there must be "open" research, freely available, to show the property world in its widest interpretation. It is contended by the research departments of the agents, and rightly, that some of their best research does not see the light of day, being confidential, sensitive work for one particular client.

Happily, publication remains a feature of academic life, and the universities should have a number of opportunities to shake the market up in future.

William Cochrane

PROPERTY RESEARCH 2

More sophisticated, better quality, internal research is costly but....

Credibility and objectivity pay off in long run

CREDIBILITY AND objectivity are the watchwords for the kind *of research and information* services now demanded in the property world. A boom is underway within the surveying industry which reflects the demand for more sophisticated and better quality research. It is a phenomenon already familiar to the stockbrokers who embarked on that particular crusade a decade before the surveyors to the degree that reputations in the City can be made or marred by the quality of a firm's research.

A sea change is taking place in the way in which firms of surveyors are investing in information and library services which are the key to their ability to produce proper research for the property industry. It has been a long, hard struggle for researchers within the surveying profession to achieve the recognition they deserve. All too often, their own firms regarded their work as mere window dressing. Indeed, the public relations element of *research is still very important.* But at last research, based upon reliable, objective and credible information, is gradually being seen as important in the overall *services a firm provides, as its* traditional functions of management, agency and investment advice.

Stockbrokers began their research into the property industry in the 1960s, well ahead of the surveyors. They had the advantage of having to deal with finite and readily available data which allowed them to produce high quality research. And because their research was not produced from a database purely compiled from their own subjective information, it had the virtue of being regarded as objective by their clients. Their firms knew only too well the value of research which could be used to generate business from clients.

Mr Peter Evans, head of research at the recently floated Debenham Tewson and Chinnocks, sees the availability of accurate data as the key distinction between the kind of research put out by stockbrokers and firms of surveyors. *Debenham Tewson and Chinnocks* set up its research department in 1967, putting it ahead of the field. Most of the top firms such as Jones Lang Wootton, Richard Ellis, Hillier Parker and Healey & Baker started soon after, with the impetus for research resulting from the aftermath of the property crash in 1974.

But Mr Evans says: "It is only latterly that attempts are being made to establish a neutral database in the surveying world.

"The long runs of data needed to produce qualitative and predictive research are still in their infancy," he argues.

The ability to predict cycles and patterns within a sector of the stock market has always been a key element in brokers' research.

Research into the property sector of the stock market can be analysed against patterns within the sector, against the performance of the stock mar*ket itself and within the context* of the national and international economic and financial climate.

Stockbroking firms now owned by banks, such as Kleinwort Grieveson, Scrimgeour Vickers, Phillips and Drew and Rowe & Pitman have seen an increasing demand for their research services in a highly competitive world post-Big Bang with foreign players producing property research as well. James Capel's decision not to become a market maker—a capital intensive exercise—was taken in the belief that the strength of its research and its ability to be an agency broker would be enough to ensure its success in the new world.

Firms of surveyors are only now beginning to come up against that kind of competition from independent firms which are producing their own research, not tarred with the brush of subjectivity, on the property world.

So, a new research industry is building up within the surveying profession, made up of people who are not surveyors. This revolution has been slow in coming but it is here to stay. Economists, geographers academics and statisticians are joining the surveyors in the major practices to bring a much needed breath of outside air to the job. Brokers' analysts have always come from a diverse range of backgrounds, a useful qualification for taking a less blinkered view of their subject.

The perception of the value of research is changing with even the smaller league of surveying firms determined to get in on the act. *Unfortunately,* that often turns out to be an exercise in producing glossy designer catalogues of transactions rather than true research. But the demand for and competition in producing better information and therefore research could lead to the smaller firms getting together to combine their *resources or calling specialists* in to help.

Hillier Parker, one of the leading firms of surveyors, has called in an information "*broker*" to re-design its *library* and information systems and the firm has embarked on buying-in a great many computer-based independent information services. It is all part of finding some unique selling point for the firm's services based on objective and extensive research.

That selling point or "added value" is uppermost in the rationale for bearing the overheads of expensive research departments, whether they be in *surveying* or stockbroking firms. The stockbrokers do not charge for their research, seeing it as a fundamental part of their securities operation and service offered to clients.

But there are signs that some surveying firms are considering selling their research. Jones Lang Wootton has just produced *a catalogue outlining* the information and research services it will make available at a cost. Few within the surveying world believe that research can be made to pay *its own way* entirely but charging for it may at least flush out those who really want to receive *it*.

To date, the research undertaken by the surveying and stockbroking firms has been largely complementary. Both produce work aimed at the respective clients with only a small degree of overlap. But an element of competition will be introduced with the creation of a new *market* place—the sale of units in single properties.

Mr Iain Reid, of Richard Ellis, believes that the surveyors will be competing directly with the stockbrokers in producing research in this embryonic market, a hybrid between an invest*ment in a security and in direct* property. He sees the prospect of surveying firms charging for research in that field, something the brokers are unlikely to do.

No one knows whether these new investment vehicles will be regarded as the province of the *investment* manager or the property manager of an institution. That will be crucial as to who will get the upper hand in the research stakes in that mar*ket. But those firms of surveyors* who believe that charging for their research will offset the high costs incurred in market making in the yet to arrive *unitised market* have *only* to look at the stockbrokers to see that is an unrealist assumption. Research costs have to be taken on the chin. They pay off in the long run.

Judith Huntley
Kleinwort Grieveson

Specialist data bases

Backing opinions with hard facts

THERE ARE many hundreds of public data bases in the UK and most of them are subject to interpretations and assumptions which can help the property industry.

Moving from that to specialist property databases, however, took a degree of persistence. Chartered surveyor Michael Nicholson left agents Knight Frank & Rutley at the beginning of 1984 to bring out FOCUS, a new computer data base for the industry. The pilot project did not begin until January 1986.

Mr Michael Nicholson, managing director of Property Intelligence: "People regard published information with a profound scepticism."

He began by completing his business plan, and raising money. FOCUS was to provide information to top agents, investing institutions and property companies on matters such as ownership, rent review dates, the terms of letting and investment deals, planning, development, and the property activities and portfolios of over 10,000 companies.

But it had to contend with the dealer mentality of the property business.

"People regard published information with profound scepticism," says Mr Nicholson. "Dealers don't think in terms of *time and money; they do one* deal, and then pass on to the next; they don't think about using their time more efficiently."

"When we raised the money," he remembers, "we asked 60 organisations what they thought of FOCUS as a proposition; about 30 per cent were very negative, 30 per cent were favourable and the rest were don't-knows. Since then, 59 of those 60 have subscribed to the service."

The money came mainly from Friends Provident, the life office, United Gulf (venture capital), investment managers John Govett, the Government in grants, Royal Trust of Canada in leasing finance; "and the Bank of Scotland was extremely understanding about our overdrafts," says Mr Nicholson.

After that, he took 18 months to find an office; choose software; get a computer; amend the software; instal the system; employ staff; start loading the database and build it to a size which was potentially marketable.

FOCUS had well over 100 subscribers by the end of July. Last March, it spun off Town Focus, a new service providing demographic and socio-economic information on 542 towns in the UK.

Mr Nicholson splits the specialist property databases into three general types:

- The market monitor, featuring CCN, part of the GUS group, the Central Property Index and AST.
- Background or in-depth intelligence—SAMI, Pergamon Infoline, GOAD and Property Market Analysis along with Property Intelligence, Mr Nicholson's company.
- *Qualitative research,* dominated at database level by the Investment Property Databank and Applied Property Research.

Some of these organisations are involved, sometimes more deeply, in other areas covered by this survey, like research consultancy and index construction.

Meanwhile there are still more players in other facets of third-party information provision:

- *General library systems,* mostly text retrieval, feature McCarthy, Nexis and Textline.
- Company reports and financial data come from Dun & Bradstreet, Datastream, Extel, CCN, Jordanwatch, Infocheck and ICC.
- Demographic, geographic and economic data come in the shape of Mosaic (CCN) and Town Focus on-line with PROMIS (PMA), the Unit for Retail Planning Information and CACI providing a hardcopy service.

Research has been revolutionised, it would seem, by information technology. That is certainly the view of Mr Rupert Nabarro, founding director of the Investment Property Databank (IPD).

IPD is funded by six firms of agents—Chesterton Lalonde, Cluttons, Debenham Tewson & Chinnocks, Drivers Jonah, Savills and Weatherall Green & Smith. It holds records of about 6,500 individual institutional property investments worth about £9bn in total.

It aims to answer questions about trends in institutional investment, marketable size and market structure; to provide accurate market *information* about rents, vacancy, purchase prices, etc; and to provide a portfolio performance measurement *service to* contributing funds.

The 1987 annual review from *IPD runs to* 35 pages and says that the value of properties under review will rise to £11bn in a matter of month; that a further major extension of mar*ket coverage is expected;* and that development expenditure and extended tenancy records are now coming under scrutiny.

"The property world is beginning to realise that it is in an information business," says Mr Ian Thurman of CACI. Implicitly, his company's actions are also saying that the infotech world is beginning to realise that property research is a growth market.

CACI, a US quoted company with offices in Washington DC, New York, Los Angeles, London and Edinburgh is well known in the consumer markets and, says Mr Thurman, has worked on an *ad hoc* basis for the property industry for several years. However, this year it set up a property group which, says the company, has recognised the potential business in servicing the property sector.

The company works for 70 per cent of the market leaders in the *retail and financial fields, says* Mr Thurman. It will now be aiming to use its extensive on-line databases, population forecasts and retail locations data to ser*vice investors, developers and* agents.

Specifically, the CACI property group divides its services up into seven basic areas:

- Catchment area demographics and drive times.
- Retail development feasibility studies.
- Retail impact analysis.
- Assessment of tenant mix to assist in identifying gaps in existing retailing provision for marketing purposes.
- Data and analysis as back-up to "quality" funding and letting brochures.
- Assistance to relocating companies on workforce availability and employees' home relocation; and
- Advice on residential estate agency office location and location selection for housebuilders.

All this has been a little late in coming. Mr Nicholson *observes that some surveyors* are probably 10 or 20 years behind the banks in technology and their use of information. "*They are being threatened,*" *he says,* "*by competition from* stockbrokers, management consultants and merchant banks."

Property is trying to move into the second half of the 20th cent*ury, and head for the 21st, at* one and the same time. It is clear that, in the future, practitioners will have to back up their opinions with hard facts and that *third party databases will help* them to do so.

William Cochrane

Third Party Research

ORGANISATIONS & SYSTEMS

Property Intelligence Ltd: Property Focus & Town Focus 01 839 7684
Investment Property Databank: 01 482 5149
Applied Property Research: Lora 01 251 5654
Property Market Analysis: Promis & M25 Information System 01 379 5130
McCarthy Information: 0985 215151
Nexis: 01 488 9187
Finsbury Data Services: Textline 01 248 9828
Jordanwatch: 01 377 8872
ICC: 01 250 3922
Pergamon Infoline: 01 377 4650
AST: 01 388 1827
Central Property Index: 01 488 2544
CACI: 01 404 0834
GOAD: 30 71171
CCN Systems: Mozaic, Profile, Guardian 01 935 1253
URPI: 0734 588181
SAMI: 0926 831221

Consultants

Glamour arm of the business

CONSULTANCY is the glamorous arm of the property research business. In some cases, it emanates directly from data storage, retrieval and interpretation; in others, information services are tackled onto original research.

Applied Property Research (APR) comes into the first category. Run by Mr Geoff Marsh, who left Jones Lang Wootton to set up the company in 1984, APR provides a specialist computerised information and consultancy *service on the Central* London office market, including Docklands.

Mr Marsh set up CLOR (Central London office research) for Jones Lang, as well as doing original decentralisation work for the firm; he seems eminently qualified therefore, to have taken a decision on specialisation which might have made other men weaken.

As it is, the decision paid off. Central London office property has boomed and, says Mr Marsh: "The volume of business is such that the problem is having the resources to do it. We don't go in for competitive pitches any longer; it's a waste of time and effort."

The second category is exemplified by Property Market Analysis (PMA) which has established itself as a leading consultancy specialising in property market analysis independent of agency.

PMA is a partnership between Mr Richard Barras, an economist with many years' experience of research in urban economics and the property market, and Mr David Cadman, chartered *surveyor, urban economist* and currently a fellow of Wolfson College, Cambridge.

"We started on a very informal basis," says Mr Barras, "with myself in research and David still in practice, but doing joint work in our spare time.

"We saw a market combining economic and geographic/spatial data with more traditional property analysis," he says. "In particular, we saw it in relating what was happening in property markets to what was happening in the ecoomy. It was only afterwards that we realised that this sort of research was already being done in America."

The partners now employ *about 25 or 26 people, says Mr* Barras, 20 of whom are analysts in economies, geography, planning, land management or surveying. Their core business comes from investing institutions and property development companies. Public authorities are in the minority, and estate agents on the rise.


Mr Geoff Marsh, (left) managing director of Applied Property Research and Mr Richard Barras of Property Market Analysis

PMA says that about two-thirds of its business comes from property market studies—that is, consultancy. Information systems are one-third of the business and a growing share of it—"standard products, screen and paper-based, not tailored studies," remarks Mr Barras.

APR puts its database up-front, and into four main categories:

1) Information about new buildings—location, type, size and timing
2) Information about companies involved in development/construction, such as developers, architects, contractors, professional consultants and letting agents
3) Information about demand—for instance, companies moving offices
4) Sector analysis, identifying and recording major demand trends and a comprehenhive record of major occupiers by business sector.

On the consultancy side, APR gets a wide range of assignments: premises search/relocation studies; demand analysis for specific buildings; development appraisal; forecasting; and special reports on key property trends like the City of London's "Big Bang."

What makes them tick? Mr Barras stresses independent quality of thought, and a major effort in people and time. Specific reports for one client—the prospects of an out-of-town *shopping scheme, or an office* building in the City—could take four to 10 weeks.

But then Mr Barras talks fondly of "consortium studies," which PMA might initiate and up to 10 clients might fund jointly. These might last up to six months. In this way PMA covered the future of shopping in London two years ago; and the future of the industrial property market—"launched two years ago for eight or nine clients when nobody saw a future," remarks Mr Barras—which is now being updated.

There is a current consortium study on out-of-town shopping, including its impact on the high street, which was due to go to clients this summer; and, this autumn, PMA will start looking at the office market, particularly in the related issues of out-of-town relocation and alterations to the Use Classes Order.

"This business gets to be very interesting," says Mr Barras, "when you can begin to be pro-active rather than reactive, as in the choice of consortium studies."

Mr Marsh is a different animal. In a short time he has gained respect and admiration from more obviously academic practitioners of the research art by thinking like a dealer—or, more *precisely, like a dealer* ought to think if he looked at Mr Marsh's own database with some imagination.

"People setting up dealerships for furniture need to know *a lot about* the Central London office market," he says (the point being that there are a lot of offices in Central London which need a lot of furniture). Similarly a carpet manufacturer might be able to tell him more about certain aspects of office space—covering it, as they do, carpet tile by carpet tile—than many property professionals.

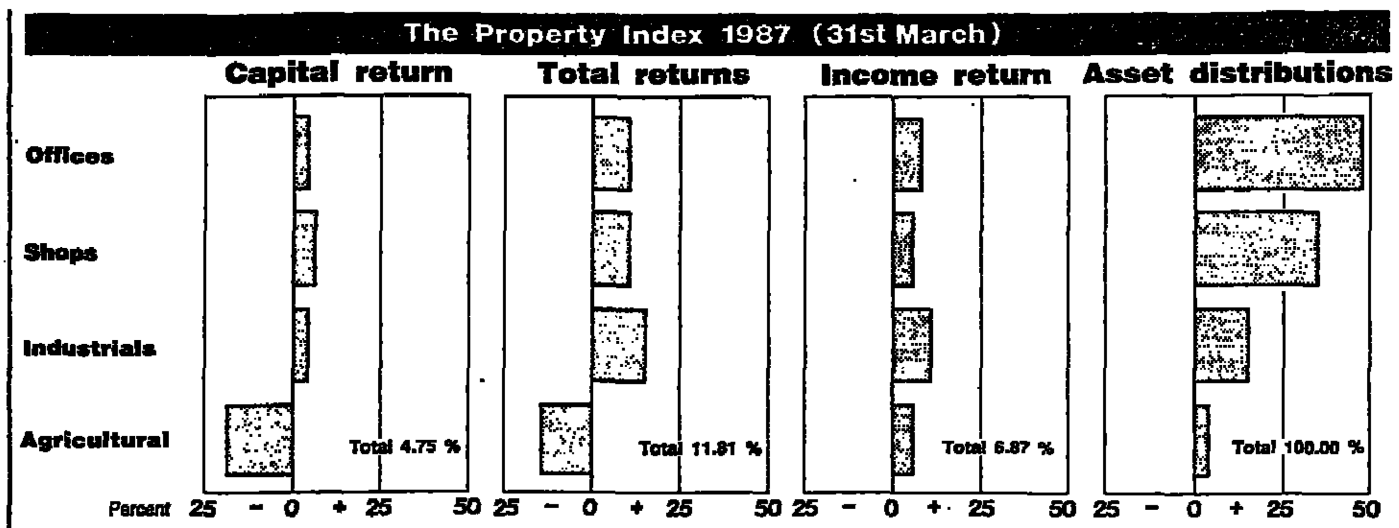
Mr Marsh will typically sit in *front of a screen, he or his* 11 staff, looking at what he calls "real time" information, and interprets as "up to the minute." He will be looking for property related stories—a merger or a demerger, for example—which imply a demand for property.

"This is not a clippings business," he says. "It's extracting market intelligence. Sometimes we make assumptions, and rumours appear frequently on our screens. People want rumours. People pay us for rumours."

Once Mr Marsh spots a trend—such as the fact that there are now 54 firms of US lawyers with London offices, part of the phenomenon which he describes as the "Little Bang"—he will go out and build a database.

"We can do this because we have 30 or 40 subscribers to the information service, and thus a guaranteed income which allows us licence to speculate," he says. Once again, he reminds us that the door swings both ways. "Subscribers," he says, "can also tell you a great deal."

William Cochrane



Indices

A proliferation of yardsticks

THERE WAS a time in the early to mid-1980s when nearly every big firm of estate agents seemed to be publicising its expertise with statistical presentations of one form or another: Healey & Baker's work on investment yields, Debenham Tewson & Chinnocks' "Money into Property" studies and, more recently, Jones Lang Wootton's Central London office research are just a few of the more celebrated examples.

In the 1980s, however, concentration on performance measurement by investing institutions has led to the development of a number of indices. According to Phillips & Drew Fund Management, in its July 1987 book Pension Fund Indicators, the most important of the indices are:

- *The MGL/CIG Property Index,* compiled by Morgan Grenfell Laurie in conjunction with the Corporate Intelligence Group, covering £13½bn of funds which represents approximately 33 per cent, say MGL, of all UK institutional property holdings; the data for this goes back to 1978.
- *The Investment Property* Databank, covering £9bn of funds which, says Mr Rupert Nabarro, its founder, is expected to rise to £11bn within a matter of months; again the base year is 1978.
- The Property Index, developed by top agents Healey & Baker, Hillier Parker May & Rowden, Jones Lang Wootton and Richard Ellis, with a base date of 1983 and a capital value *of £4bn.*
- Richard Ellis's own Property Market Indicators, with data from 1978 and a value of £1.4bn.
- JLW's own Property Index with a capital value of £300m. It has a base date of 1967 but, says Phillips & Drew, the statistics for the period from 1967 to 1977 have been reconstructed by reference to a portfolio established in 1977.

"While the *development* of these indices is welcome," says P. & D., "it would be unsatisfactory if there were to be a proliferation of conflicting statistics. The more comprehensive the data collected, the more authoritative the conclusions to be drawn from them."

The talking point in the property industry last year was the apparent rivalry between the Property Index and the "Big Four," who came together in 1984, and IPD which was set up in the same year and sponsored by six other high-echelon firms.

At the same time, however, the four and the six have been *negotiating a merger of their* efforts. "The six," says Mr Nabarro reflectively, "have been in almost indefinite negotiations with the four."

The four would say that the period covers the last 18 months or so and that there are very good reasons, mostly technical why it takes time to merge one data collection system with another.

However, the negotiations have made progress: the ten have appointed a joint chairman in Mr Peter Green, former joint chief surveyor of the "Pru"; and the four have agreed in principle to join up with the six and support the IPD *database as the central one for* the UK property industry.

Mr Reid, head of research at Richard Ellis, comments: "We [the four] have agreed with the six on the principles on which we would become sponsors of IPD. They are now in renegotiation with Mr Nabarro over this matter." The negotiations, he says, are over management, technical and contractual matters.

"These are very complex issues, with large financial outlays and business considerations involved, as well as technical ones," he says.

Meanwhile, two groups of four and six top agents, says Mr Reid, have agreed to produce indices for the benefit of the industry as a whole rather than to publicise individual firms. The fact of their reaching agreement at that *level*, he implies, is a small miracle.

Mr Nabarro looks at the broader picture. "You are talking, not about one index but about returns from a group of individual properties," he reminds us. About 6,500 properties, in fact, added up to the IPD valuation total of about £9m at the end of last year.

IPD has already split this down *into retail, office* and industrial property indicators; sub-divided these again into more types, their performance in relation to capital and income growth, yields and rents, and into regional analyses.

It is at this level that the size of the funds under scrutiny becomes important. As Mr Reid observes: "At the top index level, a total of either £10bn or £20bn doesn't matter; when you *divide it, the greater the sample* you have, the better."

The MGL-CIG Index has been left out of all this. Some observers even thought it had gone quietly into suspense until it published its 1987 edition in mid-July. "We are an annual index, which may explain this," says Ms Susan Courtney, head of research at MGL. "Anyway we are alive and well and if anything the intention is to expand the work we are doing."

MGL's reading of the institutional investors who supply the base data is that, first, they are *not* particularly bothered by the "proliferation" of indices. According to Ms Courtney, different indices supply different types of information and most institutions have requirements for all sorts of information from *time* to time.

Ideally, she would like a situation where property investors had the equivalent of the FT/Actuaries indices as an indicator of aggregate and individual performance. "We would be quite happy to discuss co-operation," she says, "but we're in no hurry to give up our index.

"When I look at the market for performance indices for *property,*" *she says.* "*I see a* niche market; I think the property market is still at a stage where it is very difficult to standardise the input of information and where the equivalent of an FT/All-Share Index is not yet viable.

"I'm sure it will happen," she says, "but we're still dealing with funds which are struggling to get the information they want out of computers which they installed four years ago."

William Cochrane

Software

An endless applications list

ALTHOUGH THE leading London firms have invested heavily in computers in the recent past, the property market as a whole still remains relatively undercomputerised when set alongside some of the other comparable sectors of the economy.

Among the many reasons that could be put forward to explain this is the relative ignorance that the software industry and the property industry appear to have of each other's business. A trip around a top London surveyors is still incomplete without the remark from the information technology manager that surveyors know nothing about computers and computer people know nothing about property. Although change is now happening fast, this lack of awarenesss hasobscured the fact that a great many of the functions of a surveyor, property manager, agent or portfolio manager are ideal for substantial computerisation.

Until the spread of the personal computer which began three or four years ago, most property companies concentrated their software purchases on four distinct application areas - accounting, property management, property and client matching and other agency functions, and office automation. A fifth area, valuation and modelling, was largely restricted to the leading companies which were prepared to have software written for them.

These applications were provided in-house or by a software company with special expertise in the field. There was - and to some extent still is - a feeling that most of the functions of a surveyors are so specialist that software will not be available. The personal computer, along with the spread of easy to use packages and programming languages, has changed all this. The most widely-used applications are now word processing,spreadsheets and to a lesser extent, design and graphics programmes and special 'vertical market' software written for commercial and residential property firms. The list of applications, however, is endless.

One surveyor at the University of Reading, for example, recently identified 25 different quantity surveying tasks which have been computerised, ranging from production of bills of quantities to automatic measurement to fee management.

In its broadest sense, the design, construction, valuation and sale of property shares many attributes and tasks of other industries. Some surveyors, for example, have found useful computer aided design packages and project management software which was originally designed for use in manufacturing. Word processing remains the most commonly used and to some extent the most directly useful software program in use at property firms. Many firms, aware of the importance of heavy volumes of paperwork to their business, were quick to use dedicated word processors and minicomputer based systems when they were first made available in the late 1970s. Since then the software, primarily on personal computers, has become more sophisticated, with many programs able to supports graphics and mathematical functions. When used in conjunction with enhanced hardware and high quality output devices, property agents effectively have an in-house publishing operation. Spreadsheets, such as the well known Lotus 1-2-3, arebeing used to create mathematical models of the property market, to store and create portfolios, and to estimate costs, timescales and materials. Some firms, such as Debenham Tewson Chinook, have taken the use of standard PC software further and standardised on 'integrated software' - which incorporates word processing, graphics and spreadsheet capabilities. Software packages such as Smart, which Debenham Tewson Chinook uses, Symphony, Framework and Ability Plus, all offer features useful to property companies which need to create complex but attractive documents fast. Despite the success of the spreadsheet, many firms prefer to specially written packages which are both more powerful and easier to use. Angus McIntosh, head of research at Healey & Baker, which uses the Stephen Sykes valuation package, believes that the sort of models which are now required for valuation and portfolio management cannotbe properly supported by spreadsheets. In the future property firms concerned with all aspects of surveying, research, agency and management can look forward to better software. Commercial property is now perceived to be big business by the software suppliers who have previously been attracted to financial services or the residential estate agency market. Property firms will also be able to reap the rewards of the continuing improvements in information technology and software design. Some of this research holds some intriguing prospects for the leading edge users. Expert systems, which can hold 'knowledge' of how tocalculate property values and analyse portfolios, are beinginvestigated along with 'regression analysis' techniques. The aim of these researchers is to create systems which can quickly, automatically and accurately calculate property values on the basis of fresh and often incomplete information. **Andrew Lawrence**

Hardware

Minicomputer holds its own

OVER THE past two or three years, suppliers of computer systems to the country's leading property agents have been experiencing what one of them calls "a mini-boom" - not a boom by financial market standards but very good business nevertheless.

After a period of sustained investment most of the larger agents now boast a veritable armoury of computer hardware, ranging from small mainframes to portable personal computers for use by surveyors out on site visits. Along with special software packages written for the property market, and office automation systems, property firms are buying the latest hardware to improve their administration, speed of response and quality of marketing. Personal computers, laser printers and various graphics and telecommunications systems are now being used throughout the leading property firms.

For most of the larger London firms the computerisation process began in the late 1970s and early 1980s when software companies such as Fraser Williams and Trace Computers began to offer packages for the property market based on mainly on minicomputers and 'multi-user'microcomputers.

Other firms successfully developed their own in house software for property management, accounting and agency administration.

The availability of this software led to the widespread installation of minicomputer systems provided by companies such as Wang, Data General, Hewlett Packard and Burroughs (now Unisys). These systems are now vital in the day-to-day to running of the major property firms operating in London. Smaller firms have installed similar software running on personal computers.

Personal computer use is spreading fast, but not at the expense of the minicomputer, which is as important as ever, storing tens of thousands of property and client files for use in agency and management work. In a busy office, such data must be readily available for immediate access from a large number of terminals, sometimes from remote locations, and it must be securely held and regularly backed up. The data built up on these databases is an important asset, and the way in which a company is able to use it can be crucial in winning important agency deals or managment contracts.

An example of the fast spread of PC usage can be seen at the London firm, Drivers Jonas, a London-based surveyor which first introduced a PC three years ago because some of the senior partners needed to carry out confidential word processing. Now, in addition to a Hewlett Packard minicomputer, and a Burroughs multi-user microcomputer, the firm has 65 PCs and nearly 20 laser printers.

At Drivers Jonas personal computers are used for a diversity of application such as the creation of administrative documentation and marketing material, computer -aided draughting for drawing up refurbishment plans and carrying out valuation and portfolio analysis.

Printers now play an important part in property agencies. Steve Marshall, Information Technology manager at Drivers Jonas, points out that the main product of a surveyor is paper, in the form of reports, recommendations and surveys. Because of the very fast printing speeds and clear image, laser printer usage is now very high in property companies, which frequently need to print multiple copies of long documents for circulation to clients.

As St. Quintin, another London firm, large detailed valuation documents produced by specialist software are now being compressed down onto A4 paper. In the future, they will be automatically bound before being despatched.

The importance of good documentation is also attracting property companies to desktop publishing systems - computer workstations usually designed around personal computers but which have enhanced graphics and text-handling capabilities.

Personal computer systems are also capable of generating slides for use in presentations and, with the use of a device known as a digitiser, can be used to reproduce drawings and plans of buildings previously stored only on paper.

Almost all the major property firms are experimenting with such systems. The price, from the computer manager's point of view, is how to overcome the problem of integrating the PCs with the larger systems so that data can be freely and securely transferred between them.

Although some firms, notably Richard Ellis, appear to have successfully integrated their office automation software with their valuation systems, most users cannot yet bring together the data from a complex valuation or management programme for use with a word processing programme.

Given the long lead times associated with property deals it is not surprising that the quality of presentation is generally held to be more important than the speed with which it is produced. Nevertheless, the high speed transmission of documents between different organisations through the use of facsimile and computer to computer links is now beginning to attract interest as the major firms move to protect their share of the growing market. Drivers Jonas, for example, has installed a terminal in the offices of one of its more important clients and is establishing a high speed British Telecom 'kilostream' link between its own offices so that internal computer systems can be accessed.

Some surveyors expect direct telecommunications links between different organisations to become more important as the investment community becomes more demanding and as new financial instruments are built around property. But there is no regulatory organisation such as the Stock Exchange to impose the standards which might make document transmission between different organisations a likelihood in the forseeable future.

The demands on property firms are slowly pushing them to the forefront of computer usage. The leading firms are using computers to provide increasingly detailed planning and financial information, often supplementing that with attractive graphics and even pictures. British Telecom's Photo Applications Division is attempting to take the technology a step further through its newly launched online picture transmission service called Photo Videotex. This enables firms to photograph buildings or sites, video the image and enter it into a computer, where it can be manipulated and placed on a document alongside text and graphics before being printed or transmitted. Although BT believes the system will appeal most to residential estate agents, the commercial property firms are showing an ever greater interest in producing high speed and high quality visual information.

Andrew Lawrence

Encyclopaedias

The wide bounds of terminology

THIS SUMMER the Arabian Investment Banking Corporation (Investcorp) launched The Encylopaedia of Real Estate Terms*, compiled by its associate director of real estate, Mr Damien Abbott.

The book precedes, by about a year, the bound and thoroughly revised version of the glossary of real estate terms which the Estates Gazette has been compiling with agents Jones Lang Wootton, and publishing on a fairly regular basis over the past four years. However, there seems no question of one volume pre-empting the other.

Mr Abbott says that he first had the idea of a real estate encylopaedia in 1973, when he was personal assistant to Michael Bamber in the Brussels office of Richard Ellis. For those who may wonder why the encyclopaedia incorporates UK, North American and French terminologies and comparisons, Mr Abbott's Brussels experience is the beginning of an answer.

After Brussels, he worked for Ford Europe, mostly on the Continent; his problems there were mainly in communicating with the US—hence the references to American jargon.

When Mr Abbott joined the Abu Dhabi Investment Authority in 1978, he found he had time on his hands, so he began putting more research into the book and thinking seriously about writing it.

In 1979, he returned from the Middle East to London with the same employer, took the book to publishers, Gower responded and the writing began.

"I wanted to redefine the classic things you learn at college and have since forgotten—like what a 'fixture' is when you buy a house," he says. A fixture gets the best part of three pages to define it in the book: for the layman, fireplaces usually are fixtures, and dishwashers usually not, even if they are plumbed in.

Mr Abbott also wanted to make it interesting. Definitions of "money" are backed up by quotations from John Stuart Mill, Adam Smith, Keynes and Aristotle; he has, inter alia, also dipped into Shakespeare, Chaucer and Tolstoy; into the works of Pope Innocent IV and Karl Marx; into the Bible, the Koran and the Magna Carta.

However, he says he takes most personal pleasure from the entry for the "speculator"—who "participates in hazardous ventures, or exceptional risk-taking, with the hope of realising extraordinary profit," and for whom Leonardo da Vinci had a word or two in 1550 or thereabouts:

"Oh! Speculators on things, boast not of knowing the things that nature ordinarily brings about; but rejoice if you know the end of those things which you yourself devise ... Beware of the teaching of these speculators, because their reasoning is not confirmed by experience."

Try telling that to a bull market, Mr da V.

Mr Abbott, understandably given his present and recent employers, gives a lot of time to "usury." Investcorp claims to be the only Middle East-owned international investment bank, and Mr Abbott manages to bring in Aristotle, Deuteronomy and the Koran into the first 100 words or so.

Meanwhile, Gower is charging a very fair price for the book itself. At £85, even if it has over 5,000 entries and 1,100 pages, it is not going to decorate the bookshelves of many students, or even individual chartered surveyors.

"This is a reference book for a company or a professional office," says Mr Abbott, "rather than for the individual surveyor or the student. In the US," he adds, "there are two good-sized volumes in this classification, and there must be five or six reasonably small ones."

He knows that having produced the encyclopedia, he will be condemned to revise it at some time in the future. He does not see this as a major chore at the moment—and gives credit for this to the Estates Gazette and JLW, in the way that their product has evolved, and provided a guideline for him, over 38 parts from A to Z.

Mr Abbott winces, however, at what a radical change of government, and government policies, in France, the UK or the US might mean; he may even be slightly relieved on this score that he did not bring in the German and Spanish content which he originally considered.

Mr Ernest Speller, consultant editor of the Estates Gazette, said last month—prior to the publication of the 38th and last part of the glossary which has been running since July 1983—that the EG and Jones Lang intended thouroughly to revise the material which had appeared in anticipation of its publication in book form "within a year."

"A lot of new terms have come to light over time, and we will include these in the finished book," he said. "We're hoping to get to the same sort of number (of total entries) that Mr Abbott did.

The book will be published by the Estates Gazette in association with JLW and the South Bank Polytechnic. "Jones Lang had been working on entries for a glossary for several years before we started publishing it," says Mr Speller, "and South Bank Poly were doing something similar."

It will not cost £85, or anything like it. "Ours will be nowhere near that price," says Mr Speller. "In fact, we expect it to be well below a quarter of that level."

The EG/JLW approach will not be so international as that of Mr Abbott. "Ours won't contain French terms, or quite so many Americanisms," says Mr Speller, "although we have taken in terms where they vary in the US."

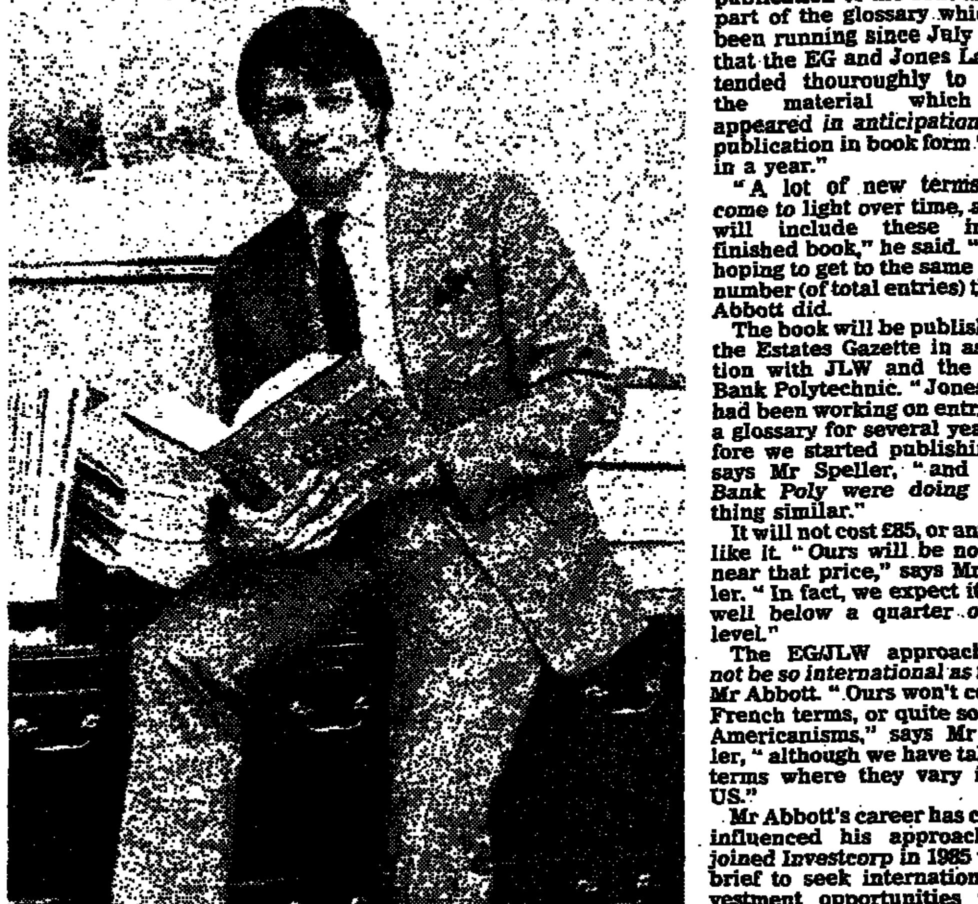
Mr Abbott's career has clearly influenced his approach. He joined Investcorp in 1985 with a brief to seek international investment opportunities which might, otherwise, have been milked of much of their excitement before they were brought in front of Arab investors.

He began with the purchase of an office building in the US, in Los Angeles, with a Canadian joint venture partner, Manulife; the investment was then syndicated to Middle East investors; and later sold to the Japanese real estate subsidiary of Nomura Securities.

He says that there are three important words and phrases in real estate: "you never stop learning; do not value from an armchair; and always seek the best advice money can buy."

William Cochrane

*Published by Gower Technical Press, Gower House, Croft Road, Aldershot, Hampshire, GU11 3HR.

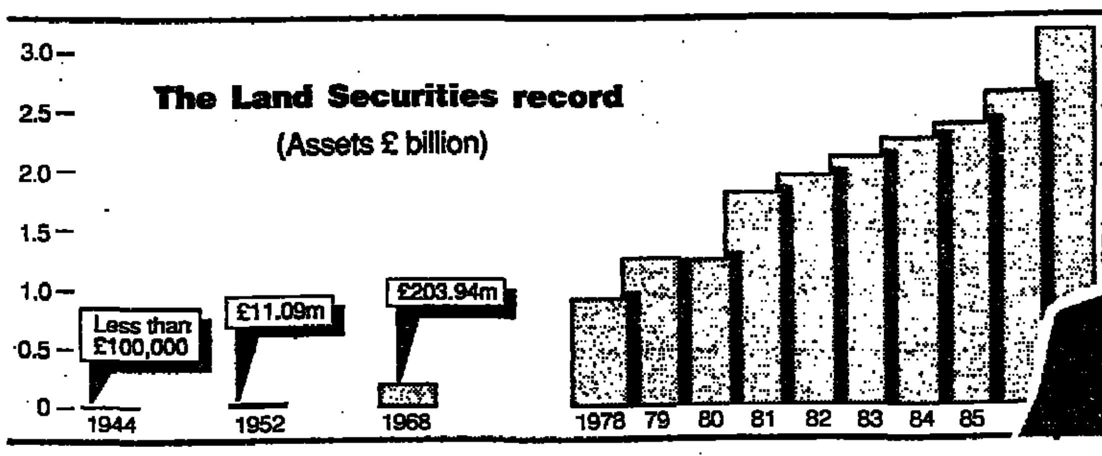


Mr Damien Abbott, author of Investcorp's Encyclopaedia of Real Estate Terms: "I wanted to redefine the classic things you learn at college and have since forgotten."

THE PROPERTY MARKET

BY WILLIAM COCHRANE

A maestro at buying offices



HAROLD SAMUEL knew property; he understood money; he knew the law; and he was, mostly, a successful player in the takeover game, although he learned one lesson in that area which was to stay with him for the rest of his life.

He will be remembered as the most consistently successful property developer of the post-war period. He combined that with a reputation for probity and principle - and, within his master company, Land Securities, the ability to make property an exciting business.

Knighted in 1963 and made a life peer in 1972, Lord Samuel of Wych Cross died a week ago, aged 75. Land Securities, of which he bought control for about £20,000 in 1944, reported total assets of £3.17bn at the end of March this year.

Oliver Marriott, journalist, author and subsequently a property tycoon himself, described Harold Samuel as a "maestro" at buying offices in his 1967 book, The Property Boom. He says that Lord Samuel's particular skill was his understanding, right from the beginning, of the effect of borrowed money on a property company.

As early as 1944, reported Mr Marriott, Land Securities bought some properties at Hatch End for £15,213, with £9,477 paid by bank loan, and others at Neasden for £4,847, subject to a mortgage of £3,335. "Gradually the purchases became bigger and bigger," said the author, "and, as property values rose, so did the capital profits."

Lord Samuel's particular skill was understanding the effect of borrowed money on a property company

Sir Nigel Broackes, of Trafalgar House, a young developer in the 1960s, turns to the law: "Harold Samuel was one of a very few developers who immediately understood the significance of the Third Schedule to the Town and Country Planning Act of 1947," he says.

The Third Schedule laid down that a building could be enlarged by up to 10 per cent of its volume. Allowing for lower ceilings, less space for walls, passages, staircases, cupboards and lavatories, the workspace - or square footage - could be increased to the substantial profit of the developers.

Lord Samuel insisted that property, being a long-term investment, must be backed by long-term funding. He also set great store by covenant, seeking and finding the best of tenants from national and local government, industry and the clearing banks. And, although Land Securities' Ravenseft subsidiary developed many regional city shopping centres, the base of Lord Samuel's empire was central London office property, particularly in the City.

Takeovers, and one failed takeover bid in an atmosphere of extreme rancour, stand out as major incidents in the 1950s, 60s and 70s, starting with the absorption of Associated London Properties which almost doubled Land Securities' balance sheet total of properties, from £5.7m to £10.1m, in 1951.

In 1953, Lord Samuel became one of a long line of suitors for the Savoy hotels group, eventually in concert with financier Charles Clore. In the book, Clore, the Man and his Millions,* authors David Clutterbuck and Marion Devine say that the combined shareholdings of Samuel and Clore, together with various pledges, would have been enough to seize control. But the nature of the Savoy defence and the anti-Semitic undertones of the reaction in the City had wounded Lord Samuel so much that he retired, disgusted, from the fray. Some people ascribed to this incident Lord Samuel's public reticence and his refusal, even with a seat in the Lords, to become a spokesman for property developers as a class.

He did not, however, lose his taste for corporate finance. In 1955, Land Securities bought out the half of Ravenseft, the town centre shopping developer, which it did not already own. At the end of the 1960s, Lord Samuel established his company beyond doubt as the country's major property group. First he made an agreed bid for the old Wolfson-Clore-Cotton company, City Centre Properties. Then, when a plum in the shape of City of London Real Property became the subject of a spectacular stock market auction - involving Nigel Broackes's Trafalgar House, Harry Hyams's Oldham Estates and MEPC -

Takeovers, and one failed takeover bid in an atmosphere of extreme rancour, stand out as major incidents

Land Securities "delivered a knockout" - as Sir Nigel described it this week. By making a pre-emptive bid with which the others could not live, it emerged the winner.

Peter Hunt, Lord Samuel's successor as managing director of Lands, joined the company in 1964 and moved to its Devonshire House, Piccadily head office in 1969. He says of Lord Samuel: "He knew virtually everything about every property in the portfolio. He knew which properties he wanted to hold and which he did not; he was very decisive, very demanding - which was marvellous for me; he was also great fun."

When Land Securities was being criticised for lacking a development programme in the 1970s, he says it was a time when debt finance was not around and when he and Lord Samuel were busy arranging to sell £200m of property to finance such a programme.

The renaissance of Land Securities may have much to do with the management now in situ. But the seeds were sewn by Harold Samuel, who will be remembered with respect, and more than that. "I have nothing but the greatest respect for his principles and the greatest admiration for what he did and how he did it," says Mr Hunt. "He was very dear to all of us."

* *Published by George Weidenfeld and Nicholson Limited, 91 Clapham High Street, London SW4 7TA, at £14.95.*

Behind the share price gallop

AFTER virtually doubling from its 1986 "low", the Land Securities share price has been galloping away since the early months of this year and now stands at around 550p.

The share price rise has been punctuated by a series of announcements, signifying that Land Securities' management is active, able and unworried either by the sheer size of the balance sheet or by the inertia which once seemed implicit in the scale of Lord Samuel's success.

In January this year, the company first said that it would build a £90m City of London office block at Aldersgate and, second, that it was taking part in a £54m shopping centre development in Hull.

In April it placed £200m of debenture stock to pay for its development, acquisition and refurbishment programmes. In May, it said that developments within the next 12 months would provide a further 1m sq ft net of air-conditioned offices in the City, West End and Victoria, and more than 650,000 sq ft in covered shopping centres.

Construction of more than 800,000 sq ft of retail warehouse space has started or is due to start this year. In June, Land Securities made a £75m convertible issue to finance more growth, and at the end of last month it said it was going to build another City office building, in the £100m bracket, on a site near Whitbread's brewery in Chiswell Street.

It has to be said that Lord Samuel was not well for the last 18 months of his life and that it is the present management, led by Peter Hunt as managing director since 1978, which must be given the credit for the company's renaissance in the stock market.

Lord Samuel's shareholding in the company, worth more than £100m, was large in absolute terms but only represented 3.9 per cent of the company's equity; so the morbid takeover speculation, in 1983 and 1984, which followed (and, sadly, preceded) the death of Stock Conversion's co-founder, Robert Clark, seems inappropriate in this case.

Mr Hunt, typically, gives credit to general property market conditions for some of Land Securities' relative share price strength this year. He also slots the development programme into a progression of management initiatives since the mid-1970s.

Outside the stock market, where stockbrokers Kleinwort Grieveson yesterday rated the shares a "hold if you've got them," prospects for shareholders are mixed.

Analysts are forecasting a 20 per cent rise in asset value to around £6 a share by next March, which is one thing the share price must be discounting already. Meanwhile, the company has warned that the price of gearing up financially, with total borrowings of the group at March 1987 up to £837m, will be a substantial rise in interest costs.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
4	5	6	7	8	9	10

Exhibitions

NETHERLANDS

Overholland Museum (Museumplein 4). Roy Lichtenstein retrospective, with 275 drawings from 1961 to 1986, including preparatory gouache and collage studies for murals. Ends Sept. 13.

PARIS

The Painter in Front of his Mirror: A collection of 222 self-portraits from the 18th to the 20th century shows the infinite variety of ways in which an artist regards himself. From a painstaking likeness to a self representation under the traits of a mefisto or the devil, from thickly laid brushstrokes to the lightest of lines, painters draw their own image for friends – or for posterity. Louvre des Antiquaires, 2 Place Palais Royal. (429 72700) Ends Sept. 5.

Invitation to a Voyage: A delightful exhibition based on a Louis Vuitton collection, conjures up the excitement of travel from the middle ages till 1935, with finely tooled 15th and 16th century caskets for jewels, knives and goblets, with ornate leather trunks – and a Sache Guitry wardrobe case. The toilet sets dazzle with silver and crystal, ivory and tortoise shell, a French Coupe, a Dutch Royal sledge with a Japanese palanquin evoke adventure against the background of exotic travel scenes, while the Pullman era ushers in the luxury of discreet comfort amid the bustling porters. Musee des Arts Decoratifs, 107, Rue de Rivoli (4360 3214). Ends Aug 30.

WEST GERMANY

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, architecture and design. The Documenta was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, Alexander Melamid, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal Museum' where 12 architects present their ideas for Museum construction. Ends Sept 20.

Hildesheim. Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America – the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

ITALY

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Galleria Nazionale d'Arte Moderna (Viale Delle Belle Arti) 'Le Stanze Della Memoria': views of interiors, portraits and conversation pieces from the Praz collection. The catalogue is almost more delectable than the exhibition itself: the delicate oils and watercolours get lost in the austere spaces of the gallery. The nostalgic title refers to a period (1776-1870) when the aristocracy of Europe were united as never before or since, a period for which Mario Praz, anglophile, literary critic, and Professor of English Literature at the University of Rome, had a passion. He recreated with accuracy and affection the atmosphere at his "Casa Della Vita." Palazzo Ricci in Via Giulia. Praz's passion for empie style began when still a child and he was still buying *new* pieces at the age of 85, a year before he died. It is sad that it proved impossible to buy Palazzo Ricci itself, so that these delightful objects could have been seen in their proper setting. Until September 6.

Rome: Palazzo Braschi (Piazza San Pantaleo 1): Carlo Carra' (1881–1966): Over 200 works by one of the most lyrical of Italian contemporary painters, many with clear echoes of those artists known to have influenced him, such as Giotto and Piero Della Francesca. Neatly divided into sections corresponding to his futurist, metaphysical and Realismo Magico periods. Ends Sept 16.

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845–1870: The term Painter-Photographer was used almost up to 1970 to describe the early photographers, even if they had never painted. An absorbing collection of documentary photographs of Rome, including a collection by the English archeologist, John Henry Parker, and some striking portraits, all from the archives of the Rome Comune. Ends Sept 27.

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

SPAIN

Madrid, *Fernando Botero. Colombian* painter whose imaginative world is a poetic distortion of reality. 100 works on loan by private collectors, museums and artist's funds. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 6.

Madrid, Spanish Pavilion in the international exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, some copies or reproductions include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury, Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

NEW YORK

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: *One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east* coast retrospective with 49 paintings and four painted constructions. Ends Oct. 18.

Theatre

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Elliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Les Miserables (Broadway): Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters; but it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

Cabaret (Opera House): Hal Prince again directs Joel Grey as the seductive master of ceremonies in a Broadway-bound revival of the evocative musical of Berlin life in the 1930s. Ends Oct. 3. Kennedy Center (254 3770).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was handpicked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. Toho's Les Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Annie. The Japanese version of the Tony-award winning musical by Charles Strouse and Martin Charnin. Stars Shiori Kanno as Annie with Ichiro Zaitsu, Mitsuko Jun and the shepherd dog Sandy. The Aoyama Theatre (Tue, Wed, Thur). (239 1837).

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear, Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra in the Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttelton. (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling comedy has transferred from the National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English Speaking Theatre of Amsterdam in Barrie Keeffe's trilogy Barbarians directed by David Swatling (all week except Sun and Mon). (242311).

Opera and Ballet

ITALY

Venice: Teatro all'Aperto: Balletto Hamburgische Staatsoper in Otello with choreography, scenery and costumes by John Neumayer (521 0161).

Venice: Teatro la Fenice: John Neumayer's Ballet version of As You Like It, to music by Mozart, with scenery and costumes by Klaus Hellenstein (521 0161).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Tristan und Isolde directed by Jürgen Gosch, with George Gray (Tristan), Deborah Polaski (Isolde), Jard van Nes (Brangäne) and John Bröcheler (Kurwenal), Hartmut Haenchen conducting the Concertgebouw Orchestra (Wed); the National Ballet with Adagio Hammerklavier (Beethoven/Van Manen), Symphony of the Netherlands (Andriessen/Van Manen) and Bend or Break (Meijering/Van Dantzig). (Tue, Thur). (255 455).

WEST GERMANY

Berlin, Deutsche Oper: Katja Kabanowa with Karan Armstrong in the title role. Manon Lescaut stars Pilar Lorengar, George Fortune and Giorgio Lamberti. Also offered Boris Blacher's rarely played Preussisches Märchen. The cast is led by Lisa Otto, Barbara Vogel, Helga Wisniewska and Ivan Sardi.

Hamburg, Staatsoper: The first performance in the redecorated opera house will be La Traviata. In the main parts are Nelly Miricioiu, Wolfgang Brendel and Alberto Cupido. Gluck's L'Innocenza ed il Piacer in Herbert Wernicke's production features Sophie Boulin, Christina Högman, Eva Maria Tersson and Kurt Streit. Manon Lescaut with Mara Zampiere, Rachel Joselson and Heinz Kruse.

LONDON

London Palladium: Ballet Theatre Français with Rudolf Nureyev dancing each night in a Diaghilev season.

NEW YORK

New York City Opera: Turandot joins the repertory following the final performances of a fortnight of Sigmund Romberg's The Desert Song featuring Richard White and William Parcher as Pierre Birabeau conducted by Jim Coleman in Robert Johanson's production. Lincoln Center (870 5570).

JAPAN

Japan Folkloric Art Dance Troupe: Programme consists of traditional dances from the various regions of Japan, in spectacular, colourful and highly skilled presentation. English programme notes. Yubin Chokin Hall, Shiba Park (Thur). (582 9171).

Continued on Page 19

THE ARTS

Siobhan Finneran, George Costigan and Michelle Holmes in "Rita, Sue And Bob Too"

Cinema/Nigel Andrews

The playground of war

Hope and Glory directed by John Boorman
Rita, Sue and Bob too directed by Alan Clarke
The Big Easy directed by Jim McBride
The Big Town directed by Ben Bolt

There is an old adage that every war film is at heart an anti-war film. The statement has a shaky but defensible truth. For even movie experiences that seem certifiably gung-ho—like Errol Flynn in *Operation Burma*, John Wayne in *The Green Berets* or Stallone in *Rambo*—might be said to be reaching towards a conclusion that will bring peace and resolution: namely, victory by Our Chaps over Their Chaps.

John Boorman's *Hope And Glory* has the nerve to be a film about war which is blatantly pro-war. At least from the hero's viewpoint. He is eight-year-old Bill (Sebastian Rice-Edwards), a thinly veiled portrait of the young Boorman himself, and the movie relates his adventures on the "home front" of childhood, growing up in a broad, ruddy-bricked suburban street in south London. (Boorman and crew recreated this slice of 1940s *Metroland by building the* entire street).

The announcement of war comes to young Bill while he is playing with his model knights in the front garden. Soon the grown-ups are clustering round the radio to hear the thin, clipped tones of Neville Chamberlain. And soon after *that—a few weeks or months*—comes the Blitz, when for children every night was a firework display, and every day brought fresh bombsites to scamper and scavenge in.

Through a child's eyes Boorman turns wartime suburbia into a giant adventure playground. The notions of danger and romance, of challenge and quest, of violence as a rite of passage, that seeded Boorman's later films—*Point Blank*, *Deliverance*, *Excalibur*, *The Emerald Forest*—clearly had their roots in the years of chaos and conflagration that were hell for adults but very likely a kind of heaven for children.

The movie is unabashedly episodic. Snapshot memories seized from the album of childhood are thrown down in front of us in no special order: the escaped barrage balloon that wanders Fellini-like into view and bumps into rooftops before being shot down; the German parachutist who lands in a cabbage patch; the awe and novelty, for children, of sudden death ("Pauline's mum got killed last night. Go on, ask her. It's true!") Boorman surrounds Bill with a crustily vivid family, mothered somewhat scattily by Sarah Miles, and shows the alluring virus of anarchy spreading to the older children too. Bill's 15-year-old sister Dawn (Sammi Davis) falls for an American serviceman and shows little hesitation in consummating the liaison. "Well, if you love him..." burbles Sarah Miles indulgently, as Dawn prepares to dash off for another *night tryst*. "*Who said anything* about love?" replies the girl smartly.

The film's last section unmoors itself from the street and goes *to live with* Grandpa (a delightfully tetchy cameo from Ian Bannen) by the river. Here life opens up to boating, exploring and cricket on the *river-front lawn; and to* the greening of the boy's world, who finds—to his dawning shock of delight and ours—that red bricks and bow windows have turned into the wall-to-wall luxuriance of Nature. *Hope And Glory* is a funny, perceptive, defiantly romantic film. It is "pro-war" only from a child's perspective. But the shock of that new perspective is like a salutary dash of fresh water on the grown-up's imagination.

Rita, Sue and Bob Too is based on a play—nay, two plays by Northern writer Andrea Dunbar. Its exclamatorily "outrageous" dialogue could scarcely have any source *but* the theatre. One can hear the shocked gasps of the matinee audience, and the sophisticated titters of the evening audience, at lines like "Do you two know *how to put a Durex on?*" (married skirt-chaser Bob to the two schoolgirls, Rita and Sue, he has driven up to the moors) or "It looks like a frozen sausage" (one of the girls describing — well, you can guess *for yourself*).

The merry complexities that ensue when Bob's wife hears of his goings-on, and when Rita (Michelle Holmes) and Sue (Siobhan Finneran) compete *for Bob (George Costigan) and* his frozen sausage, resemble a Brian Rix farce done over by Alan Sillitoe or John Braine. Director Alan Clarke (of *Scum*) *rushes into the mine*-field of bad taste, regional stereotypes and male chauvinist fantasy as if he did not know such mines were there: which is perhaps the best way to rush into it. The film is coarsely lit and photographed and has ghastly songs on the soundtrack. And whenever Clarke gets hold of a "funny" character, it would take a pack of Alsatians to make him let go. (Just how many shots *are* there of the hose-spraying neighbour, who waters his roses in stoic bewilderment as Bob, Rita and Sue variously dash in and out of Bob's house in various stages of undress?)

However, when all is said, the film still manages to be quite funny and likable: mainly thanks to Misses Holmes and Finneran, who clump about the underpriviledged North loudly and legally, determined to seize or invent their own privileges if the world will not provide them.

★

Finally, from America, *The Big Easy* and *The Big Town*: *two films with elephantiasis of* the title and severe shrinkage in the imagination department.

The first is a New Orleans-set thriller about police corruption, directed by Jim (Breathless) McBride and with dialogue of the ten-minute-egg variety. "Who's the dead meat?" asks the cop about the opening-scene corpse. Turns out it is a Mafia killing. Only, says police detective Dennis Quaid, you cannot call the Mafia the Mafia, you must call them "wise guys." Ah.

Soon more wise guys are hitting the deck, and soon after that Quaid is hitting the dock, *arrested for being "on the* take." Will Quaid's girlfriend, the beautiful District Attorney's assistant Ellen Barkin, her skin still dewy from their love-making last night, accept the job of prosecutor? "We ought to keep this relationship strictly professional:" so yes, she will. Will Quaid survive and return to police work? Will he nab the Mafia hoods? (Sorry, the wise guys.) Will romance be restored and Barkin be willing? For answers, turn to your own imaginative speculation. It is far cheaper and more painless than seeing the film.

The Big Town is no better but somewhat duller. You know you are in trouble early on when you discover what the master talent of the young hero (Matt *Dillon) is.* "*He's the best damn dice player I ever did see!*" says the old fogey who taught him this art. Sure enough,a stalwart cast—Bruce Dern, Lee Grant, *Tommy Lee Jones*, Tom Skerritt—are soon gathered round the Chicago dice-tables, as we and the film are condemned to spend 109 minutes watching small cubes of ivory socking the table shoulder and greenbacks piling up in the hero's corner. The film tries hard to be *The Cincinatti Kid* or *The Colour Of Money*. But it ends up just being *The Big Town*.

Curtains/Hampstead Theatre

Michael Coveney

Stephen Bill won the John Whiting Award in 1979 and has written many plays for television, radio and the Birmingham Rep. He therefore merits no patronising welcome to London, least of all from a critic barely acquainted with his output. But this belated London *playwriting debut is a cause for* some celebration, even if the subject of this beautifully crafted family play is the grim one of assisted euthanasia.

The family gathers on old Ida's 86th birthlay: three grown-up daughters, two with husbands in tow, a third, the black sheep, returning after 25 years absence and two broken marriages. Gwen Nelson as Ida sits rigid and deaf in her wheelchair, hating the occasion and keeping them guessing as to whether she's spitting up blood or cream fondant. Ida has spinal trouble, is in constant pain and is full of plastic bone replacements.

In a central sequence of perhaps insufficiently horrific realism, this wily, determined and humorously dignified old bird convinces one of her offspring to stuff pills down her gullet, place a Sainsbury's plastic bag over her head and finally apply suffocating pressure with a cushion. The piece proceeds to discuss the ethics of assisted euthanasia while simultaneously accumulating comic texture as a social ritual with, as Alfred Lynch's blithely blunt farming son-in-law put it, *something for everyone*—"Murder, mystery, suspense and dream topping on your trifle."

As people live longer, so we find more difficulty in assimilating them. The old are becoming a tribe of shelved aliens, a process to which the British are peculiarly committed, unlike, say, Italians or the Chinese. Ida has been casually cared for by a grandson (Philip Bird) who rents a room but is fully bound up in his life at the nearby university — we are somewhere in the Midlands, in a grimy Victorian house Ida has refused to have redecorated (designed by Tim Reed) and a nosey neighbour (a wonderful performance by Stella Moray), who is, needless to add, cold-shouldered by the bereaved family.

On that level the play is like a latterday suburban King Lear, Ida taking her revenge on the clan by spoiling the party after failing to elicit the familial dues she might have expected. The play has a deft and compulsive surface tension fully acknowledged in Stuart Burge's superbly cast production. It just needs a few weeks of ensemble playing-in to be perfect. The lighting by Nick Chelton is already that.

Meanwhile, Bridget Turner and Sheila Ballantine are a powerful Goneril and Reagan double act, the first pasty-faced with *murderous misgivings* and clumsily modulated excuses, the second imperiously devoted to her own migraine and thoughts of the legacy while the corpse is still warm in the next room ("That little table in the front room is nice"). Ralph Nossek is a fussingly apologetic spouse, master of the conciliatory cover-up and well-practised expert in the arm-fluttering protracted backwards exit from a crowded room. Gillian Hanna as the black sheep has the hardest task of all, but does well to convey a life of misery and mistakes, among which must be counted her open-toed sandals and ostentatiously denim jacket.

Alastair Muir

Left to right: Sheila Ballantine, Gwen Nelson, Ralph Nossek and Bridget Turner

Israel PO/Barbican Hall

Richard Fairman

Of the world's leading orchestras, the Israel Philharmonic must be as familiar in style to British audiences as any. They make frequent foreign tours and there has been an added continuity in Zubin Mehta, a close associate of the orchestra for 20 years, its Music Director for 10, and now named—in lofty terminology—Music Director for Life.

For all that, the actual sound they make may not be immediately recognisable. At Wednesday night's concert, the first of their two in London on this tour, the playing they brought to Mahler's First Symphony did not stir recollections of their former visits by means of any distinctive Israeli timbre; but it did give a sharp jog to the memory that this is an orchestra in which each department seems to be equally weighted, in ensemble and expertise, with the others.

In short, there *is* no weak link The violins showed an easy affinity with the Mahlerian style, adding portamenti with absolute unanimity at just the right places. The bass was loud, but not raucous; and there were some solo parts finely taken by trumpet and oboe in the additional "Blumine" movement, removed from the symphony by Mahler but getting a rare reinstatement here. All the virtuoso requirements of the score were safely met.

And that, indeed, was just as well, since Mehta played *them up so shamelessly*. *Even* without seeing this conductor's showmanship on the podium, one could quite easily hear and feel how he likes to drive a performance so that it thrives on extremes. Exaggerated tempi alone are not his way, though some of the changes in speed here were extraordinarily abrupt. Rather it is a case of wringing from the music every drop of its emotional juices.

The slow movement, when the strings were tugging at its emotional core, was marvellously involving. Elsewhere, though, the constant call for more volume, more richness of tone, more attack and more emphasis ultimately becomes self-defeating. If cellos and basses start the scherzo in so melodramatic a fashion, where can the rest of the orchestra go from there? Exciting, flamboyant and impassioned, yes; but it was not a version of the symphony to sit through often

In the first half Brahms' Violin Concerto had equally been one size larger than life. It was fortunate there was a soloist of the stature of Shlomo Mintz on hand to play it, for there cannot be many others who would be able to match Mehta's personality or, for that matter, match the sheer weight of orchestral sound that he pitted against them. Everything that Mintz did was positive and strongly motivated. They made a good team.

Paula Wilcox in Giles Cooper play

Paula Wilcox stars in Giles Cooper's *Everything in the Garden*, directed by Brian Stirner, which has opened the autumn season at Watford Palace.

This is followed first by *Mary Rose* by J. M. Barrie, a joint venture with the Greenwich Theatre and starring Amanda Waring, then Susan Penhaligon as Nora in Ibsen's *A Doll's House*, directed by Lou Stein.

The Light of Day/Lyric Studio

B. A. Young

"*There is no way back*, you have to go forward, don't you agree?" says Louise in Graham Swannell's *The Light of Day* at the Lyric Studio, Hammersmith. And oh, I do agree, but Mr Swannell is in the opposition camp. All the action in his play is concentrated in the first five minutes. In a darkened room at a Montmarte hotel, two figures, one male and one female, remove their outer clothing and pop into bed together. *But before they can* have even settled down into a comfortable position, the door opens and a new figure arrives and switches on the lights.

We can now learn who they all are. The latest arrival is Louise (Nicola Pagett) and she is married to the man in bed, Ralph (Nigel Terry). The other girl is Bel, and Ralph picked her up in Madrid and brought her to Paris. But don't think that he is in any way ashamed of what is going on. He begins at once on a counter-accusation. Louise, he says, is having an affair with Paul.

As we can see from the programme, no other characters are to appear (though as a matter of fact some others do, though they never come into the room). What is to happen? There is a balcony outside the bedroom window, convenient for a *murder or a suicide or a public* speech. But in fact nothing happens at all.

I can't say that the three are devoid of individuality, for they all have their characteristics. Ralph, who is apparently a pop-music correspondent, has decided, ten minutes after his last affair, to give up sex, but it will be like his giving up smoking and smoking a Gitane in Act 2. Louise, after 17 years of marriage to this bum, has found what *seems to be an* important job on a periodical that now absorbs her life. Bel just tramps around from one nice place to another at the expense *of anyone who will find it*.

But they have no real background, in spite of the memories they swop with one another. They have no more real existence than the people in Noel Coward's comedies. They are just there to speak the lines. This they do with the nearest they can invent to realism. Miss Pagett and Mr Terry tend to shout at each other too whole-heartedly for such a small theatre; on one occasion they are interrupted by someone from another room asking them to be quiet, and I was on her side. Claire Hackett as Bel is a true sample of English youth at its most pitiful. She was the only one I had any sympathy for.

Russian Prom/Albert Hall

David Murray

Having Edward Downes to conduct a Russian programme with his BBC Philharmonic was a good idea to start with, enhanced by using the opportunity to include a whole act of Borodin's *Prince Igor*. On Wednesday the plan was rather splendidly realised, with huge choral forces on hand — the BBC Singers and Symphony Chorus *and* the LSO's chorus—to encourage the international principals, two of them borrowed from the Bolshoi to sing Borodin's father-and-son heroes.

These latter were the Ukrainian Yuri Masurok (a familiar guest at Covent Garden), who gave us a strong, dignified Igor —his Act 2 aria is the grandest in an act fairly crammed with Grade A Borodin — and the Georgian tenor Zurab Sotkilava as his son and fellow detainee. (They are captives of the marauding Tartar Polovtsians, and your Vladimir has, of *course, fallen in love with the* Khan's daughter.) Sotkilava delivered his romantic effusions with elegant fervour; what sounded to a Western ear like *mannerisms — particularly* a cagey way of approaching top notes—are probably just part of Russian tenor style.

His inamorata was the Bulgarian mezzo Alexandrina Milcheva, who lent her a warm, opulent timbre. The Greek bass Dimitri Kavrakos gave the Khan authority as well as the requisite vocal depths. Ian Caley and Fiona Kimm filled lesser roles with distinction, and Downes conducted with eager sympathy — *it must have* been very heartening to know that the act proceeds to the surefire Polovtsian Dances (in *which* the choruses made a superlative noise). I fancy the soloists would have appreciated applause after their numbers (*Prince Igor* is a number-opera) rather than respectful British silence.

The BBC Philharmonic players, not individually brilliant, were excellently responsive to Downes. At the start of the evening they supplied a competent accompaniment in Chaikovsky's Violin Concerto for Dmitry Sitkovetsky. He re-*served his brilliance for* the later stages of each movement, preferring always to begin with unaffected lyrical exposition instead of the aggressive attack *which is nowadays conven*tional. It made for a performance in which sweetness and light replaced professional Russian passion.

Cologne art market

Gunter Kowa

New York, London and Cologne share one thing between them: the international market for contemporary art. That Cologne should always feature so prominently in this triad may be no secret for art scene insiders. But for a wider public in search of art, the choice of Cologne may yield some discoveries.

Among German cities, Cologne's reputation as a centre for art has grown steadily for 20 years. Currently, it holds indisputed first place. A year ago a new museum of modern art was opened on a site next to the cathedral, and more than 5,000 visitors flood through its gates every day. *Among institu*tions of this kind it is a real success story. Over more than 40 commercial art galleries of high reputation spread themselves out in the city's net of medieval streets. They attract some of the best work of leading contemporary artists.

Cologne's rise to prominence in the German art scene seems almost self-explanatory. The capital, Bonn, is a 20-minute train ride away, but the city itself is too small to take on a leading cultural role.

The Ruhr area, despite structural decline, provides the industrial hinterland and a strata of well-to-do, culture-*minded* people. Important public collections of modern art, housed in attractive buildings, have sprung up in towns like Neuss, Mönchengladbach, Leverkusen, Krefeld, Wuppertal, Essen, Bonn and also in Düsseldorf.

Düsseldorf boasts a state-run *academy of arts made famous* by Joseph Beuys, whereas Cologne has only a city college, and even that faces a cash crisis. But Cologne enjoyed a long spell of enlightened art politics of its city council in the 1960s and 1970s, and a *Kulturdezernent* of particular *fame* was Kurt Hackenberg. Under his auspices, Cologne became the hub of experimental art. Galleries flocked to the city in their dozens, often to perish again within a few years. Performance art was all the rage; video art was pioneered. The public entered into intense debate. *Tempers* often flared, and the very notion of art was being called into question. Some private collections began to exert an influence, none more so than that of the perceptive Wolfgang Hahn.

Major artists moved their studios to Cologne, among them Polke, Richter and Dahn. Unlike Düsseldorf, Cologne is anything but chic and pretentious. Ordinary people go about their daily business and do not bother too much about the antics of a bunch of artists.

The real turning point came in 1967 with the founding of the Cologne Art Fair, now called "Art Cologne," and held every year in November. The success was phenomenal from the start and it has persisted. Last year, 165 galleries from 16 countries displayed representative selections of their artists' work in a unified setting. The art fairs of Cologne and Basle now hold almost equal status. In the wake of this success, yet more dealers have moved to Cologne in preference to Berlin, Stuttgart and various smaller towns. Happily they formed neither a cultural ghetto nor a fashionable quarter. Disused factories and iron foundries, converted warehouses and cellars may serve as a venue as well as the purpose-built studio.

As varied as the appearance of the galleries are the dealers themselves. Karsten Greve, who belongs to the old guard and still specialises in the artists he helped on their way to fame, like Twombly, Kumellis, Fontana, Manzoni, Yves Klein, insists that it was the incessant travelling of the founder generation that knitted the indispensable international connections.

He wishes to correct the current Cologne-centred prospective: his most expensive paintings are in store in New York and sold there. The New York *link is evidently vital for the* Cologne galleries, recently underlined in a symbolic way by the well-publicised marriage between Mary Boone and Michael Werner, himself one of the most influential Cologne dealers, with clear connections to the new museum.

The most senior Cologne dealer is Hein Stunke of the "Spiegel" (Mirror) gallery, one of the driving forces after the war, introducing Ecole de Paris. The gallery was target of police action in the hot '60s. Stunke comes from Berlin and chose Cologne in a kind of pro*phetic foresight, though* Aenne Abel's gallery played a widely respected role also, having since disappeared. The Spiegel nowadays has become a kind of private museum, no longer bent on selling. Classics find a haven in the gallery of another "great sage".

Arts Week

Continued from Page 18

Music

LONDON

City of Birmingham Symphony Orchestra conducted by Simon Rattle with Elisabeth Söderström, soprano. Gershwin, Canteloube, Shostakovich, Nielsen, Sibelius and Prokofiev. Royal Albert Hall (Mon). (589 8212).

Royal Philharmonic Orchestra and Brighton Festival Chorus conducted by André Previn with Nigel Kennedey, viola. Walton and Ravel. Royal Albert Hall (Tue).

BBC Symphony Orchestra conducted by Gunter Wand. *Stravinsky and* Schubert. Royal Albert Hall (Wed).

Vienna Philharmonic Orchestra conducted by Leonard Bernstein with Peter Schmiedl, clarinet. Mozart and Mahler. Royal Albert Hall (Thur).

NETHERLANDS

Maastricht, Festival of Religious Music. Staargebouw: Musica Antique of Cologne with the Rheinische Kantorei and soloists, conducted by Herman Max: Buxtehude, Tunder, Bernhard, Weckmann (Tue); Martinus Church: Prattica Musica with a programme of religious music from the court of Versailles (Wed); Martinus Church: The Tallis Scholars: the Spanish Renaissance School (Thur). (29 38 28).

PARIS

Ensemble Sagittarius conducted by Michel Laplenie: 17th century German sacred music – Schutz and his contemporaries (Mon, 8.30pm). Saint Severin Church.

Quatuor Kuijken, Claude Maury, horn: One hour with Mozart (Tue, 7pm). Auditorium des Halles.

Hommage to Nadia Boulanger, film and concert with composers, friends and pupils of Nadia Boulanger (Wed, 7pm). Concert-Rencontre at the Auditorium des Halles.

Nouvel Orchestre Philharmonique de Radio France conducted by Eleazar de Carvalho, Michel Laleouse, violin and alto: Ligeti, Philippot, Villa-Lobos (Thur, 8.30pm). Radio France, Grand Auditorium'

All the above concerts are part of the Paris Festival Estival (4804 9801).

WEST GERMANY

Berlin, Philharmonie: Philadelphia Orchestra under Riccardo Muti. Hindemith and Berlioz. (Mon and Tues); Berlin Philharmonic Orchestra, conducted by Carolo Maria Giulini, Schubert. Soloists are Barbara Hendricks, Helga Muller-Molinari, Keith Lewis, Justin Lavender, Andreas Schmidt and the Ernst-Seuff Choir. (Wed and Thurs).

NEW YORK

Merkin Hall (Goodman House): Karl Weigl Festival. Lucy Shelton soprano, Hilda Harris mezzo-soprano, New World String Quartet, George Shirley tenor, Paul Silverthorne viola. All Weigl programme (Tue). 67th w. of Broadway (362 8719).

CHICAGO

Ravinia Festival: The final week of the festival features David Schrader's *recital on harpsichord, fortepiano*, and organ. Scarlatti, Rameau, Mozart, Beethoven, Frescobaldi, Correa de Arauxo (Thur). Highland Park (728 4642).

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Friday September 4 1987

South Korea's new order

THE accommodation reached between the South Korean government and opposition this week over the issue of constitutional reform could prove to be one of the most important developments in the country's recent troubled history. The agreement, endorsed on Wednesday by Mr Roh Tae Woo, the government's presidential candidate, and Mr Kim Young Sam, a senior opposition leader, sets an urgent agenda for political reform and clears the way for presidential elections in December which will be determined by a direct popular vote.

Moreover, it represents the first real show of compromise between antagonists since President Chun Doo Hwan seized power in the coup of 1980. The ability to compromise has been a quality in too short supply in South Korea and its absence has been responsible for some of the worst excesses in the country's history. This week, both parties conceded important points to each other, and in the end, the joint-party committee designed a relatively handsome camel. The president will be elected by direct popular vote, and he will serve a single five-year term. He will not be able to dissolve parliament unilaterally, nor will he be solely empowered to declare martial law.

An important concession by the Government was that the existing residency requirement for presidential hopefuls—five years' continuous residence in Korea—would be rescinded, thereby opening the way for Mr Kim Dae Jung, South Korea's best-known dissident, to seek election. In doing this the Government has taken a calculated risk on a split between Mr Kim Young Sam and Mr Kim Dae Jung. Their past rivalry is legendary, and both believe they deserve the presidency. A head-on contest between these two men would divide the opposition vote and ensure a victory for Mr Roh Tae Woo.

Economic development

A constitution that commands popular acceptance is a precondition for stable government in South Korea. Too often in the past a constitution has been foisted on the people and has therefore lacked legitimacy, as have the nation's leaders. The outline of the constitution unveiled this week seems likely to win this acceptance because of its bipartisan nature. Although the presidency will remain the principal repository of power it will not be unlimited as it virtually is at present. There will be a significant transfer of power to the National Assembly.

Those who have watched South Korea's impressive economic development over the past 20 years have despaired at its seemingly intractible political problems. On the one hand, there was a military government convinced of its right to rule and secure behind its well fortified barricades; on the other, there was the opposition, a loose coalition convinced of its moral right to rule but unable to do much about it. This week's agreement on the shape of the constitution is a testimony to a new-found moderation. It is a moderation which has characterised both government and opposition pronouncements on the current wave of labour unrest in the country, and is attributable directly to the decision by President Chun in July to bow to reality and accept political reform.

What continues to be of great concern, however, is the virulence of the present labour disputes and the problems that would be created if the university students join forces with the workers. Such a coalition precipitated the military coup of 1980 and it would be a tragedy if it did so again.

Military rule

It should come as no surprise if the next few years are difficult ones for South Korea. As one consequence of nearly 30 years of military rule the country's political institutions are almost non-existent.

The political parties that do currently exist owe their origin to the security forces, as in the case of the ruling Democratic Justice Party, or simply stand for dislike of the status quo, as in the case of the opposition. These parties are likely to be reshaped as a new democratic order acquires structure, and the result could be apparent political chaos. What is important for South Koreans and other interested parties is to accept the imperfections of a new and untested political system in a country which has lacked any tradition of democratic government.

The refinancing of export credits

THE British Government and the banks are struggling to conclude a marathon negotiation about the cost of export finance that has been remarkable for the amount of ill will engendered.

At issue is the margin that banks receive for arranging and supplying medium-term export loans whose repayment is guaranteed by government.

With some justification, the Treasury took the view that banks were being over-rewarded for a virtually risk-free business, especially in comparison with rates available in the Eurocredit market. Rate reductions seemed in order, with consequent savings for the taxpayer.

When the negotiations opened as long ago as April last year it was clear that the banks would put up a fight, even if privately many bankers conceded that some cut in margins was probably inevitable. What no-one foresaw, however, was that nearly 18 months later the haggling would still be in progress.

Tactical errors

A compromise agreement would probably have been signed by now, were it not for the latest in a series of tactical errors that have marked the whole affair. The confidence of the banks, already shaken by what they claim is a lack of realism down at the Treasury, has been further undermined by the handling of one particular case, the refinancing of one of Britain's biggest-ever export orders for the construction of the Castle Peak power station in Hong Kong.

It appears that the Export Credits Guarantee Department, the third major party to the talks, is insisting on a margin for this refinancing by the 17 lender banks that is even less generous than the terms already contained in the Government's "final" offer to the banks as a whole.

With the prospect that the negotiations are heading up another cul-de-sac in spite of those long months of work, all parties are working frantically to repair the damage caused by the Castle Peak incident.

Since the Government has remained uncommunicative all through the negotiations, it is unclear why such a signal should have been hoisted at this delicate stage. Some bankers, ever sceptical, have concluded that the ECGD is trying to save face after failing to deliver the result that the Treasury wanted. More probably, the ECGD is suffering from Treasury pressure and its own uncertainty about the shape of the proposed new arrangements.

It is true that the Government has failed to get the big reductions in margins that were suggested at the outset. Government negotiators seem to have prepared their case badly and proved vulnerable to complaints that they did not know enough about banking to understand why this branch of lending, although risk-free, was for many banks scarcely profitable at all.

Theological debate

After the initial inconclusive tussle over margins, both sides agreed to explore the technically more difficult route of refinancing export loans on the cheaper Euromarkets. A long silence from the Government side suggested some interdepartmental confusion about how such a scheme would work. A theological debate ensued as to whether such refinancings would count as part of the public sector borrowing requirement or not.

Furthermore, as it turned out, the banks' legal consent was necessary in each case: and with this lever to hand the banks had no difficulty in forcing the margins up again.

Last month, the Government tabled its final offer, with the warning that unless the banks accepted a new matrix of margins would be imposed: if British banks would not do business on those terms, then others—like the Japanese—would do it for them. The banks may regard this as a piece of bluff, but seem inclined to accept since they believe they have emerged victors from the contest.

Assuming this attitude survives the Castle Peak affair, from December 1 the new regime should be installed. The banks will suffer only a modest cut in their margins and refinancing will give the Government considerable public expenditure savings. It would be an appropriate conclusion to a messy and mismanaged negotiation.

Lionel Barber considers the controversial Supreme Court nomination of Judge Robert Bork

Judgment day for a man of the right

IT TAKES a Kennedy to denounce one of America's top legal minds as the harbinger of back-alley abortions, midnight police raids and segregated lunch counters for blacks.

This latter-day philippic by Senator Edward Kennedy of Massachusetts occurred on the floor of the Senate on July 1, less than an hour after he heard the news that President Reagan had nominated Judge Robert Bork to the US Supreme Court.

The language may have been overcooked, but it had the desired effect. Seven weeks later a coalition of some 185 liberal organisations, ranging from organised labour, to women's groups and civil rights activists, has formed to block the Bork nomination (which must be approved by a majority of the Senate, where confirmation hearings begin on September 15).

At stake, if Bork supporters and opponents are to be believed, is the ideological balance of the US Supreme Court.

On trial, by Senator Kennedy's implication, are the past 30 years during which the court has acted as an important liberalising force. Under apparent threat are the liberal gains of abortion, affirmative action programmes, increased electoral representation for blacks, and the landmark Miranda decision which ensured a suspect's right to silence.

The man catapulted into the middle of this ideological struggle—Judge Robert Heron Bork—a restless 60-year-old intellectual, is currently serving on the US Circuit Court of Appeal in the District of Columbia. He has an enduring passion for light cigarettes, martinis, large meals, and ideas—not necessarily in that order.

Even Judge Bork's detractors are hard-pushed to argue that he is not qualified for the job. A former US Solicitor General and Yale Law School professor, Robert Bork is no G. Harold Carswell—President Nixon's rejected nominee, of whom a Senate Republican defender once said: "There are a lot of mediocre judges and people and lawyers, and, hey, they are entitled to a little representation aren't they?"

In many ways, it is Judge Bork's very ability to sway the minds of others which makes him such a controversial choice. Opposition can be traced partly to his judicial philosophy, but most importantly it comes down to crude arithmetic.

The resignation of Justice Lewis Powell on health grounds last June removed what is known as the "swing vote" on the nine - member Supreme Court (all of whom are offered life tenure). In almost 16 years' service, Justice Powell, 79, a courtly former private attorney from southern Virginia, diverged just enough from his conservative colleagues to win himself the reputation of the moderating vote on the court, above all on social and civil rights issues.

Justice Powell's departure pits four conservatives against four liberals. The conservatives, bolstered by two Reagan appointees (Justice Sandra Day O'Connor in 1981 and Justice Antonin Scalia in 1986) are led by Chief Justice William Rehnquist, a Nixon appointee whose pink shirts and long sideburns in the 1970s belied a political orthodoxy which is as vibrant today as ever.

The ageing liberal contingent is led by Justice William Brennan, 81, the powerhouse behind many of the judgments of the past 20 years in the area of individual civil rights and freedom of expression. Justice Thurgood Marshall, nominated by President Lyndon Johnson as the first black member of the court, has been Justice Brennan's most loyal ally.

The elevation of Judge Bork would tilt the Supreme Court five to four in favour of the conservatives, or so his opponents argue. His supporters agree: for them Judge Bork offers no less than a long-awaited judicial counter-revolution.

Throughout his career both in government and academia, Judge Bork has been an outspoken critic of what is called "judicial activism." In his view, the Supreme Court has been guilty of social tinkering by exceeding its constitutional power to review (and therefore to strike down) state and federal laws.

"The court has been guilty of inventing the law for quite a while," explains Mr Pat McGuigan, a fervent Bork supporter at the Washington-based Free Congress Foundation, a conservative lobby group. "Judge Bork's nomination offers the restoration of the rule of law . . . not by an enlightened oligarchy but by the elected representatives of the people."

Judge Bork's advocacy of "judicial restraint," whatever his personal views, leads him to challenge some of the court's landmark decisions in the post-war era.

He is outspokenly critical of Roe v Wade (1973) which struck down state laws banning abortions and he is opposed to other court decisions based on an expansive interpretation of the 14th amendment to the constitution which promises that "no state shall deprive any person of life, liberty, or property without due process of law."

This so-called substantive due process clause was used by the liberal majority on the court, led by Chief Justice Earl Warren in the 1950s and 1960s, radically to increase rights to privacy and sexual choice. To which Judge Bork responds: "If the revolution in sexual mores . . . is in fact ever to arrive, we think it must arrive through the moral choices of the people and their elected representatives, not through the ukase (ie, dictates) of this court."

The problem with Judge Bork's philosophical forays is that they appear to undermine Supreme Court judgments in highly sensitive political areas, above all in education and voting rights. For example, the impact of judgments such as Baker v Carr (1962), which aimed to protect minority voting rights, undoubtedly enhanced black political power in the US.

In 1960, 29 per cent of non-white adults were registered to vote in 11 southern states: by 1982, 57 per cent of black adults were registered. The growth of political voting power is reflected in the increase in black elected officials from about 100 in 1964 to 5,100 in 1982.

As Ms Althea Simmons, chief Washington lobbyist of the National Association for the Advancement of Coloured People, said of Judge Bork's criticism of judicial activism: "Black Americans don't plan to go back to Post-Reconstruction (after the Civil War)."

At times, Judge Bork's core libertarianism has taken him to extremes: in 1963, writing in the New Republic, he called the anti-segregationist Public Accommodations Act an unconstitutional infringement on the freedom of white shopkeepers to deny service to "(black) persons with whom they do not wish to associate."

While opposed to legal segregation, he found portions of the 1964 Civil Rights Act unconstitutional and predicted (wrongly, like many contemporary observers) that the law would generate such opposition as to prove unworkable.

And yet it would be too crude, based on his judicial record alone, to dismiss him as a Reagan apologist.

During his five years on the DC Court of Appeals, his more politically astute backers point out, Judge Bork has been in the majority in 94 per cent of the cases he has heard. A White House brochure circulated to US senators paints him as a militant moderate.

It cites 15 cases in which he has vindicated the rights of labour unions against private employers and the Federal Government, and more than 100 majority opinions, not one of which has been reversed by the Supreme Court.

In 1981 the then Professor Bork testified against a conservative-sponsored Human Life Bill which sought to reverse Roe v Wade by statutory means.

The anti-Bork case focuses on emotive issues such as abortion and civil rights, and leaves aside, for example, Judge Bork's views on anti-trust, which are as radical as any judgment he has written. According to Dean Bob Pitofsky of Georgetown Law School, Judge Bork believes the application of anti-trust laws should be solely determined by economic efficiency.

"He would never challenge vertical integration (through mergers), he would allow a wholesaler to tell a retailer where to sell, on what terms to sell, and at what price to sell. In fact," declares Mr Pitofsky scathingly citing Judge Bork's one published book, The Anti Trust Paradox, "his anti-trust policy might be more lenient than the EC (European Community)."

Jurisprudence aside, Judge Bork hitched his waggon at an early stage to the conservative political camp. He was a Scholar for Goldwater, an Academic for Nixon, and in 1973 he joined the Nixon Administration, earning infamy as the Solicitor-General who, under orders, fired the Watergate prosecutor, Professor Archibald Cox.

Over the past 10 years, some of his voluminous writing and speech-making has sounded like a campaign for the court job, best summed up by a quotation he borrowed approvingly from the new conservative thinker, Mr Irving Kristol. "We have reached the stage where a young girl has a constitutional right to perform in an X-rated movie, provided she is paid the minimum wage."

Such remarks are currently being compiled by the staff of the Senate Judiciary Committee which will call Judge Bork and other witnesses next month to public hearings. In addition, investigators are running through the financial dealings of the judge (current net worth $980,000), and every one of his judgments.

Senator Joseph Biden, the Democrat presidential candidate who chairs the committee, is well aware that he has his chance to play statesman before the television cameras as he considers the first major confirmation battle since President Nixon put forward Judges Carswell and Haynsworth (in vain).

Last month, his inquiry was dealt a severe blow with the defection of Mr Lloyd Cutler, a top Democratic lawyer in Washington, who sprang to Judge Bork's defence, declaring him to be "neither an ideologue nor an extreme right-winger, either in his judicial philosophy or in his personal position on current social issues . . . the essence of his judicial philosophy is self-restraint."

Senator Biden's own delicate position is best summed up by his changes of line on the Bork nomination. Last November, he said: "Say the Administration sends up Bork and, after our investigation, he looks a lot like Scalia. I'd have to vote for him, and if the groups tear me apart that's the medicine I'll have to take. I'm not Ted Kennedy."

By July 9 this year, Senator Biden had announced he intended to oppose the nomination unless Judge Bork changed his views before testifying before the committee.

This equivocal attitude has been criticised, but it may reflect a realisation that Bork may be neither the Saviour of the Right nor the Nemesis of the Left. He is, after all, only one voice in nine, his powers to overturn earlier judgments are limited not merely by numbers but by the principle of stare decisis, which sets out the value of precedent in the orderly development of the law.

Nonetheless, this has not prevented the court from retrenching somewhat since its liberal heyday in the 1960s under Justices Warren, Fortas and Douglas — a process which Bork would accelerate. In the 1970s and 1980s some of the most controversial rulings on bussing and other affirmative action for blacks have been watered down.

But those who suspect Bork is a bogey man would do well to consider the record of Earl Warren, who ran as Thomas Dewey's Republican vice-presidential candidate in 1948, and later became the harbinger of liberal decisions the like of which the country had never seen.

Supreme Court justices, like monks in a cell, are insulated and, above all, unpredictable.

Men and Matters

Baillie spreads the word

One of the longer professional leaps yet recorded has been made by Robin Baillie, aged 54, a Scot, who has left the world of banking after more than 30 years with Grindlays and Standard Chartered to help run a financial public relations business in the City of London.

He is the new chairman of Burson-Martsteller Financial—a young but fast-growing offshoot of the international public relations group which vies with Hill and Knowlton to be the world's biggest in the trade.

Baillie was managing director of Standard Chartered Merchant Bank for seven years, and has spent the last two years as the Standard Chartered Group executive director responsible for strategic research and development and group economics.

He had a tough year last year, interrupted by illness, when Standard Chartered was fending off the unwelcome Lloyds bid. Now he has retired from his executive post while remaining a non-executive director of the bank.

After 38 serious years in banking Baillie is well aware that in going into public relations he is entering a world of mirrors where fantasy can be more profitable than facts.

He believes he can contribute, however, applying his experience as a long-time user of pr services in business, and offering an iconoclastic view of pr which, I expect, will startle some of his new colleagues.

Already Baillie's seasoned banker's eye has spotted what he thinks are opportunities for a great deal of new pr business in the City. I expect him to home in on the building societies, which sorely need help with their marketing and public images, and some of the fund management institutions which are starting to realise they cannot afford to blush unseen in post-Big Bang 1987.

He is also likely to be gently reminding some of the big names in British industry and commerce that, judged by world standards, their corporate pr still leaves much to be desired.

"And that," he will be able to tell the captains of industry, "is a banker's view."

Walled off

At least one US bank may have builts its post-Big Bang Chinese walls a bit too high.

When Lee International, the British film services group, realised that it would need a new corporate finance adviser to handle its purchase of Panavision and subsequent leveraged buyout, helpfully suggested to Citicorp—bankrolling the ambitious plan—that this role could be filled in London by Scrimgeour Vickers.

After several such references, one Citicorp executive said in exasperation: "Who are these 'scrimmagers' people you keep going on about?" The London stockbroker, wholly owned by Citicorp since April 1986, got the job nevertheless.

Musical checks

Eurocheque International, the people who run the cheque and card system, are planning to use Ludwig van Beethoven to beat crooks.

The group announced yesterday that it is to re-vamp its cheques and cards, used by 36m Europeans. The aim is to give greater protection against counterfeiting.

Eurocheque claims that it runs one of the most secure ways of making payments, with losses from theft and forgery running at a mere 0.05 per cent of turnover. But it admits attempts at counterfeiting its red and blue cards have been on the increase.

One of the best ways of beating crooked imitations, already tried by the Visa system, is to stick a hologram on the card. This three-dimensional printing technique is very tricky to forge.

The only problem for Eurocheque was to pick a suitably European symbol. Portraits of Julius Caesar and Charlemagne were among the many ideas mooted at its Brussels headquarters. In the end, however, Beethoven was deemed to fit the bill, so that he will now be turned into a hologram as well as a watermark to be carried by the cheques themselves.

Eurocheque's spokesman explains solemnly that the composer seemed right on the grounds that he was a widely travelled European and that the Ode to Joy from his choral symphony is used by the EC as its official Hymn for Europe—a sort of Euro - international anthem.

But what really clinched it, he adds, was Beethoven's tangled mop of hair. That is far harder to forge than would be the case, say, with the semi-bald Caesar.

Eyes front

I have often thought that half the people on the road need their eyes testing, but have Maurice Miller and Geoffrey Santhouse gone too far with Britain's first drive-in opticians?

This latest idea in the marketing of eyewear — as the fashion people insist on calling glasses these days—will open soon in Rotherham's out-of-town Retail World Parkgate shopping centre.

Customers will actually have to park and get out of the car for their eye test, but a factory behind the shop will ensure that all but the most complicated of lenses can be made on the spot and the new glasses picked up after the rest of the shopping has been done.

Miller and Santhouse went on the USM last October with their eponymous Liverpool - based chain boasting 22 conventional high street shops. The new Rotherham centre will be their 46th outlet.

The farthest south they have ventured so far is Coventry, although finance director, Alan Tinger, says that expansion into the Home Counties—with more drive-ins if the Rotherham experiment works — is planned for next year.

To help them make up their minds, customers will also be able to have a video taken and played back instantly to show them how they really look in various designs of glasses.

It sounds as though Miller and Santhouse may have struck some rich veins of convenience shopping and vanity here. Perhaps this helps explain the six-fold increase in the company's share price in only 11 months.

Working days

Evidently not one to waste an opportunity, Mr Justice Staughton added the following postscript to his 62-page, 3½-hour judgment in the Libyan assets case this week: "This judgment has taken 14 working days to prepare out of the 20 such days in August. It is a share disappointing to read in the press and elsewhere that High Court judges have very long holidays."

Auto suggestion

The Japanese businessman on a Tokyo-London flight was rubbing his eye and complaining he was having difficulty reading.

"Do you have a cataract?" asked his concerned fellow passenger.

"No . . . a Lincoln Continental."

Observer

Politics Today: by Malcolm Rutherford

David Steel (left) and Robert Maclennan: back to the drawing board.

Mr Maclennan goes for broke

THE SHORT answer to the question "why has the British Social Democratic Party fallen apart?" is that relations between three of the members of the original Gang of Four and Dr David Owen, until last month the party leader, had become intolerable.

The longer answer would require spelling out the short in detail, for which there is no space. Suffice it to say that the recently enobled Mr Roy Jenkins, Mrs Shirley Williams and Mr William Rodgers had long ceased to get on with Dr Owen, the other original member, and vice versa. Trouble was brewing and nobody did very much to prevent it.

Differences between Dr Owen and Mr David Steel, the Liberal Party leader, were subsidiary. Although they may not have been, in Dr Owen's phrase, "bosom friends," they understood each other well and knew that they had problems in common. The principal one was how to lead a political party.

When the Liberal Assembly voted against a nuclear defence policy last autumn, and therefore dealt a near-mortal blow to the Alliance, one of Dr Owen's first thoughts about Mr Steel was: "There, but for the grace of God, go I." And in the end it happened to him as well. He could not control his party either and has chosen to preserve a political rump rather than to fight for the Alliance.

Both leaders could have stopped, or at least delayed, the debacle. When the pressures for a merger between the two parties came to the surface immediately after the general election in June, the two men could have got together and said: "Hold it. Let's do this thing properly." They did not.

In Dr Owen's case there seems almost to have been a sense of fatalism. Although he claims not to believe in the conspiracy theory of history, he plainly suspected that the other three members of the Gang of Four were conspiring with the Liberals against him for the merger that they had always wanted.

Not only did he decline to seek to persuade Mr Steel to hold off. He also played less of a role than he might have done in trying to keep his own party together a bit longer. He could have said that the ballot of SDP members on the proposed merger was premature, and stopped it. Even when the ballot went ahead, he could have campaigned more actively in support of option one, which was for closer co-operation with the Liberals short of merger.

Instead he seems to have decided that since a split was going to take place anyway, and that since he personally was against a merger at anything like this stage, it was better to let it happen and to pick up the pieces later.

As was apparent from the SDP conference in Portsmouth this week, quite a lot of party members simply did not understand this approach. Some said openly that they felt Dr Owen Owen had let them down, though there are others who will stay with him.

Still, all that is history, however recent. The new chapter begins with Mr Robert Maclennan, who has succeeded Dr Owen as party leader and will take the SDP into the merger negotiations.

"Robert who?" some might say. The first thing to be said about him is that on most policy issues he is at least as Owenite as the Doctor, and possibly even more so. He was an option one man throughout the debate on the SDP ballot and still thinks that it would have been better if the party had voted decisively against merger negotiations at the present time.

His own preference was for a kind of over-arching constitution that would have brought the two parties closer together, leaving room for other groups to join later and deferring the merger question. Dr Owen says that he suffers from "constitutionalitis" (Mr Maclennan drew up the original SDP constitution) and would have none of it.

When the party membership voted in principle in favour of merger, Mr Maclennan tried to persuade his leader to accept the result and to go into the negotiations seeking the best terms possible. Dr Owen refused, so Mr Maclennan will lead them himself hoping, probably against hope, to bring Dr Owen back in the end.

He will not be anyone's pushover. His views on Mr Jenkins, Mrs Williams and Mr Rodgers, though perhaps more muted, are very similar to those of Dr Owen. He regards them as old-fashioned "has beens." He is not much more sympathetic to some of the figures in the Liberal Party either, and he can be quite scathing about the progress of the Alliance so far. In his speech to the conference on Tuesday he dismissed the Alliance manifesto at the general election as "pedestrian,"

Mr Maclennan's main hope is to get through directly to Mr Steel. He thinks that the Liberal leader may be experiencing a sense of relief in having finally got Dr Owen off his back. He also recalls that in the late 1950s when the Liberal Party was beginning its revival, it was full of talk about the market economy while the two big parties were still engaged in corporatism.

Mr Steel has drawn attention to this several times himself and claims that the only reason he has not stressed it much is that it should go without saying: the Liberals were into market economics before Dr Owen ever thought of it.

Mr Maclennan further believes that the image of the Liberal Party was somewhat tarnished by the Lib-Lab pact in the late 1970s. It did not bring any great rewards for Mr Steel and left the party with an old-fashioned, interventionist look from which it has not yet escaped.

The Maclennan commitment to the market economy developed when he was a junior minister at the Department of Prices and Consumer Protection throughout the Labour Government of 1974-79. When Harold Wilson offered to promote him to the Scottish Office, he declined on the grounds that he was learning so much where he was. What he now says he was learning was the case against corporatism.

Not least, Mr Maclennan thinks that Mr Steel is basically sound on defence, by which he means that he accepts the need for Britain to retain an independent nuclear capability at least until arms control negotiations permit otherwise. Again, the SDP leader surmises that his Liberal counterpart might enjoy the chance of standing up to the unilateralists at the Liberal Assembly and saying so.

As if that were not enough, Mr Maclennan has thrown a spanner into the works. He wants a united policy on civil nuclear power, of which he is broadly in favour. Mr Steel is against it. Indeed one of the few trade-offs that Dr Owen ever made with the Liberals was not to support the nuclear energy lobby. He would not have made it if his own commitment to nuclear power had been strong, but he thought that he ought to give the Liberals something and that was it.

Thus it should be clear that Mr Maclennan is pretty well going for broke. The reason why he thinks that Mr Steel might bite is that this will be his last chance to establish the sort of third force in British politics of which he has always talked. Essentially it means going back to the drawing board and starting again.

Three things could happen in the next few months:

● The negotiations could succeed against all expectations, leading to the founding of a new party, though with some Liberals and Social Democrats peeling off at the edges.

● The negotiations could succeed partially, leaving a number of Social Democrats with an agonising choice of whether to join the new party or not.

● The negotiations could break down, either formally or by a sizeable number of Social Democrats rejecting the terms. (Under the SDP constitution a two-thirds majority is required for approval, though Dr Owen insists that he does not want to use the blocking mechanism and would prefer simply to let those who want to go to the new party depart, while he keeps the SDP name. That is the "amicable divorce" about which he has been talking.)

Mr Maclennan hopes that the deal will be so good that even Dr Owen will come round, though one doubts it. The subsidiary battle is about how many supporters he will keep in what would be a fourth party

Meanwhile Dr Owen is philosophical. He ruminates about resuming his education: catching up with what has been happening in other countries by foreign travel, and setting up an economic policy think tank to advise him. He will speak less on defence now that he regards the acquisition of Trident as almost a fait accompli, though he will continue to watch the progress on arms control.

He is developing a new interest in education policy and would have liked the Alliance manifesto to have been much more radical on the subject. He is impressed by what Mr Kenneth Baker is trying to do as Education Secretary, but thinks that he should be bolder.

Since he sees no reason to assume that Mrs Thatcher will not continue for another term, he believes that he has time in hand. Dr Owen's party, however small, is likely to go on with a twin emphasis on intellectual supremacy and establishing a grassroots movement. Its size will depend on the outcome of the negotiations between Mr Maclennan and Mr Steel.

Lombard

Half-way house in Hungary

By Leslie Colitt in Berlin

MOST WESTERNERS assume that the economy of a liberalising, reform-minded East European country such as Hungary should be flourishing by now. By the same logic, a centrally planned, command-type economy, such as East Germany's, must be in deep trouble.

Both assumptions are false. After nearly 20 years of economic reforms, Hungary is caught in a downward spiral of minimal growth, widening *payments deficits and a soaring* debt to the West.

Meanwhile, the orthodox East German economy continues to expand at the fastest rate in Comecon. East Berlin has a healthy hard-currency trade surplus. Its Western debt, although rising, is easily manageable, even without the IMF links which Budapest enjoys.

But surely, the argument goes, ordinary Hungarians with their well-stocked shops, must be better off than East Germans. Granted, Hungarians enjoy an abundance of fresh produce and chic fashion boutiques; but East Germans are Comecon's biggest meat-eaters and have far better housing and durable consumer goods than all the others. Indeed, the biggest advantage Hungarians have over East Germans is that they can travel to the West and do so in large numbers.

Why, then, have the much-lauded Hungarian economic reforms failed to produce the expected results? And why has East Germany been able to prosper without reforms?

Although Hungary's central planners stopped telling company managers exactly what to produce, the Communist Party continued to interfere in the affairs of nominally independent managers. At the same time large state subsidies were paid to loss-making companies, while profitable firms were milked to finance them. Prices, especially for producers, failed to reflect real costs. Greater wage differentiation was never undertaken, leaving workers to concentrate their efforts on the higher-paying second economy. Companies were given the right to conduct foreign trade, but then merely seized existing business from each other.

The reforms were largely confined to agriculture and the retail trade. As a result, shop shelves overflowed with food and consumer goods—at steadily rising prices. Much the same products were available in East Germany, but were more readily affordable.

This year's Big Bang in Budapest—the setting up of competing commercial banks—looks impressive, but can produce results only when other major abuses of the politicised economic system are eliminated. Wider-ranging reforms are to be launched next year, including cuts in subsidies to inefficient companies and a tax reform. But no one is taking bets on how energetically they will be implemented.

In East Germany, by contrast, huge, vertically integrated industrial trusts were created in order to streamline the unwieldy command economy. The party introduced a myriad of tight controls to make sure managers fulfilled targets for net output, profits, energy and raw materials consumption and productivity.

Innate German discipline was undoubtedly an advantage, as was the "special relationship" with West Germany, which filled East Germany's coffers in times of need. In addition, there is some truth to the adage that Germans can make any system work.

East Germany's equally orthodox neighbour, Czechoslovakia, on the other hand, is having nothing but problems with its highly planned economy. The Czechoslovak economic miracle in recent years consisted of producing nominal growth while living off the nation's past industrial achievements. Yet even this manages to give Czechoslovaks Comecon's second highest standard of living, after East Germany.

What, then, is the lesson for Hungary, which does not have industrial traditions and whose brightest citizens generally left the country in order to succeed elsewhere? For economic reforms to be successful they must lead to the creation of a risk-taking, market economy, even under "socialist" auspices.

The dilemma is that this would fatally undermine the "leading role" of the party in the economy and in political life. But to remain in a halfway house—between the old Stalinist-type economy and a decentralised market economy—is to have the worst of both worlds.

Letters to the Editor

The back office solution

From the Chairman and Managing Director, Harvard Securities

Sir,—As chaos in brokers' back-offices continues to erode the City's credibility, the huge amount of extra work resulting from the BP issue, could be the death knell for many brokers. Many of the back-office problems associated with this type of issue could be avoided if the new shareholders were actively and financially encouraged to register their shares into the nominee name of one of the joint stock banks. This will enable the completion of a large number of buy and sold transactions without the rigmarole of physical delivery. This would effectively be a "low tech" depository system and, if linked with Sepon, could provide the Stock Exchange with an effective "low tech" depository system for all new registrations, thus dramatically reducing current and future back-office work and enabling brokers to catch up on the backlog.

It must now be clear to all financial market practitioners, that we just simply do not have time to wait for Taurus. Action must be taken and must be taken now.

Tomas G. Wilmot,
95 Southwark Street, SE1.

Health and safety

From Mr R. Coult

Sir,—David Brindle's article (August 29) shows that the latest annual report from the Health and Safety Executive continues the story of decline in occupational health and safety standards that has been evident for the past five years. Such a record of inadequate performance in a private company would by this time have led to the replacement of directors and senior managers.

The failure is not simply to be measured in the ever-increasing number of accidents. When in the course of a year only 8 per cent of registered premises are visited, it means that the average factory will only be visited once every 12 or 13 years. This compares with the 25 per cent figure achieved by the factory inspectorate until about 1976 and the HSE should aim to return to this figure. Regular inspection of the workplace is essential for the maintenance of standards and the number of accidents will only start to return to those of the early 1970s when this is achieved.

It could, of course, be achieved if more resources were available but the principal criticism of the HSE is that it has not been sufficiently radical in changing its approach in the face of declining income and increasing workload. For many years, under Factories Act legislation, lifting machinery and pressure vessels have had to be examined by competent persons at fixed periods. This could, by regulations, be extended so that all registered premises have to be inspected by a competent person at regular intervals, to be determined by size, hazard, etc., and written reports prepared for management on safety and occupational health standards. Copies of the reports would be sent to the HSE which could decide whether further action is necessary. In this way, the HSE would retain enforcement but be relieved of the need to deploy inspectors in routine inspection work.

This would, of course, transfer the onus of inspection from the HSE to others, something the organisation has always been reluctant to do. It has given negligible support to safety advisers and safety representatives, preferring to keep them at arm's length, and the ones who have suffered the consequences are employees injured at work. The Secretary of State for Employment should now make his influence felt in what is increasingly being seen as an ineffective organisation.

R. N. Coult.
Vernon House,
Grindleford, Sheffield.

Competitive circuits

From the Director-General, Electronic Components Industry Federation

Sir,—In connection with the European Electronic Component Manufacturers Association (EECA) booklet about the importance of a competitive European integrated circuit industry, I am quoted (August 27) as saying "There is general concern in the European industry that increasing Far Eastern and American strength . . . is of serious economic danger to European companies." The last word should be "countries"; the essence of the case being put forward by EECA is that a capability in integrated circuits is of key importance to the whole economic strength of the countries of Europe.

May I add that your report gave undue prominence to action against imports? While it is true that some limited short-term action on imports is advocated, EECA's more fundamental and constructive proposals are primarily designed to produce a European industry capable of standing up to free and fair competition world-wide.

Richard H. W. Bullock,
7-8 Savile Row, W1.

Airlines and governments

From Mr R. Powrie

Sir,—Sir Colin Marshall (August 20) writes as though revenue-sharing agreements between airlines were the chief restraint on competition. The competitive environment *is* set by agreements between pairs of governments ("bilaterals"), and these can deal with many other items: the number and choice of airlines on a route; the capacities and frequencies each may offer; the airports to be served and the fares which may be charged. Some bilaterals allow further agreements between the airlines themselves. The best way of "sharing" revenue with a potential competitor is for a government to keep it off your route altogether.

Since the two governments must agree and each tends to protect its own airlines, the conditions often reflect the costs of the less efficient carrier. For the born-again, commercially driven BA, this must be like being a shark in a swimming pool, but fenced off from the other bathers! Very frustrating for BA's management; but even worse for BCal, whose misfortune is to be on the wrong side of the fence.

It is worth thinking about what would happen if, as is likely, Common Market competition rules were eventually to remove many of these regulations within Europe. The distinction between scheduled and charter airlines would largely disappear. Mr Davison (August 20), Mr Goodman (August 24) and Sir Colin would all be allowed to offer us day trips to Paris by Jumbo for £35. Unless something were done about this, the congestion could be far worse than even Mr Lucking (August 25) supposes!

Some of Mr Lucking's fears are misplaced: as long as airlines are allowed to charge premium rates for premium services the business community will probably manage somehow. The greatest risk is that we should spend many millions to achieve even worse congestion. Several things seem to be overlooked in the current debate.

All phases of the system need to be developed broadly in step with each other: surface access, passenger handling, runways, air traffic control. There is no point in Mr Lucking having BAA pour another mile of concrete at Heathrow, if airspace will be limiting or if passengers will be sitting in tailbacks on the M25.

Travel at peak times through prime airports is a highly prized commodity; demand for it will expand indefinitely unless it is balanced by differential pricing.

If air traffic grows rapidly, it will stimulate further demands for more effective noise control. Conversely, if we can deal with aircraft noise, technical improvements should allow us to get much more capacity out of many existing facilities.

We do not make proper use of available technology. As a rather odd example: reducing perceived aircraft noise has parallels with landing an aircraft through hostile fire: both require rapid but controlled descent. For military use, the technology exists, but until excessive noise is penalised more heavily, manufacturers will have little incentive to adapt it for large scale civil use.

Rhoderick M. Powrie.
Brookfield, Bells Yew Green,
Tunbridge Wells, Kent

Escalating house prices

From Mr A. Fraser

Sir, — "Escalating house prices have delighted owners," writes Ralph Atkins on September 1.

Only in rare instances should this be true; for example, for people whose circumstances allow them to release surplus value on property assets: ie when selling a bequeathed property, or "trading down" on retirement.

For most people for a significant part of their lives the need is to obtain improved or more substantial accommodation—in order, for example, to house an expanding family. The rise in house prices increases the cost in absolute terms of that extra bedroom or other improvement.

A. W. Fraser.
33 Elm Bank Gardens, SW13.

Southward bound

From Dr D. Hutchison

Sir,—Your page 10 piece on the SDP conference (September 2) mentioned Mr Maclennan's constituency as Caithness and Sunderland. Is this a new constituency or a disjointed one? Is your wordprocessor switching th and nd around and if so does your move to the South Bank really mean you are going to the Sound Bank? I think we should be told.

(Dr) Douglas Hutchison.
249 Goldhurst Terrace, NW6.

FINANCIAL TIMES

Friday September 4 1987

Hyundai workers riot as wage talks fail

BY OUR SEOUL CORRESPONDENT

FRESH OUTBREAKS of violence hit South Korea yesterday as thousands of striking shipyard workers broke into a provincial city hall and set fire to cars. The unrest followed the breakdown of wage negotiations.

Strikes elsewhere also turned violent. About 10,000 workers at Hyundai Heavy Industries marched to Ulsan city centre and tried to mob managers staying at an hotel after a deadline for the end of pay talks passed with no agreement.

Both opposition and government leaders appear anxious that the student unrest and strikes that have gripped the country for more than two months should not prevent presidential elections from taking place later this year.

The increase in violence is particularly worrying for the opposition because labour and student demonstrations in 1980 led to a military crackdown that put the current president in power. The opposition has played no role in the strikes, which mainly concern demands for higher wages and the right to set up unions.

Last month, the Government intervened to force the Hyundai management to accept workers' demands to set up an independent trade union soon after a striker was killed by a police tear gas canister. Yesterday, a second worker died when a man, who was possibly drunk, drove a truck into a roadblock set up in the centre of Ulsan.

Elsewhere, strikers at the Daewoo Motor company, which is in a 50-50 joint venture with General Motors of the US, burned a car at the factory in protest at management reluctance to negotiate over wages. A company spokesman said negotiations could not go ahead as it did not know which of three new unions set up by the workers it should talk to.

The labour ministry said yesterday that 751 companies are still on strike but that many are small employers like taxi companies. Officials said that the strikes had cost the country around $1bn in lost production and $383m in lost export earnings between June, when they started, and the end of August.

A ministry official said that despite the increase in strike-related violence, the Government would not intervene as it regularly did in the past to break up strikes but would continue to leave management and workers to resolve disputes between themselves.

Richard Gourlay explains a US senator's outspoken reminder on democratic reforms

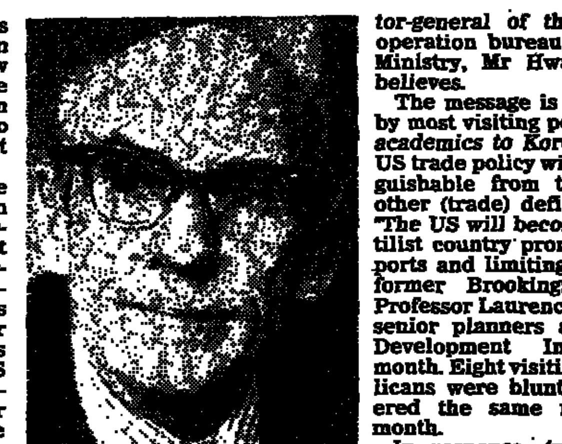
Trade warning to South Koreans

US SENATE foreign relations committee chairman, Mr Alan Cranston, touched a very raw nerve on Wednesday when he said protectionist pressure in Congress would be difficult to prevent if democracy does not return to South Korea.

Mr Cranston appeared to be making a pre-emptive strike in response to fears in some quarters that South Korea might not complete the process of restoring democracy that began in July after student-led riots. His comments are a blunt reminder that South Korean exports could be badly hit if the US Congress, now finalising an omnibus trade bill, can muster enough support to override the promised Reagan veto of a protectionist bill.

More than most industrial countries, South Korea is dependent on exports, particularly to the US. Last year 40 per cent of the country's $34bn of exports went to the US, which was a 4.5 per cent increase in the US share over 1985. It led to a trade surplus with the US of $7.2bn last year, which is likely to rise to an embarrassing $8bn this year, Korean officials say.

Although these figures pale in comparison with the Japanese trade surplus with the US, South Korea is far more vulnerable than Japan to any protectionist crackdown. Over 36 per cent of South Korea's GNP comes from exports compared with 13 per cent of Japan's, according to trade ministry figures.



Senator Alan Cranston: hit a raw nerve.

Mr Cranston said the US Congress will be "unable to get into law any extreme protectionist measure", including the textile bill and the omnibus trade bill, because he will support a presidential veto of such a bill. He did not define what is an "extreme" measure. But the trade bill which is likely to emerge from the Senate/House conference committee in October has already made South Korean officials very worried.

They now suspect that US policy makers are drifting away from multilateral trade relations. Instead, talk of bilateral trade agreements and reciprocity are creeping in, the director-general of the Trade Co-operation bureau of the trade Ministry, Mr Hwang Doo-yun, believes.

The message is drilled home by most visiting politicians and academics to Korea. In future, US trade policy will be indistinguishable from that of many other (trade) deficit countries. "The US will become a mercantilist country promoting its exports and limiting its imports," former Brookings Institution Professor Laurence Krause told senior planners at the Korea Development Institute last month. Eight visiting US Republicans were blunter but delivered the same message last month.

In response, trade officials point to areas where South Korea is trying to reduce its surplus with the US and encourage imports. In the first half of this year, imports from the US rose 29 per cent compared to a 21 per cent increase in imports from all countries, according to trade officials. They also say that:

- Non-tariff barriers will be removed on all manufacturing goods and components by end 1988. About 98 per cent are already "liberalised", but businessmen say a plethora of obstacles remain.
- In 1988, South Korea will "phase out" the surveillance list which is used to prevent "surges" of imports but has become a system that "precludes any import growth or competition for domestic producers", according to the American Chamber of Commerce in Seoul.
- Seoul will review consumption taxes on luxury items (cigarettes, cars, colour televisions and wine), which in the case of cigarettes amount to a 70 per cent tariff. The price of a Cadillac, for example, is increased by various taxes from $24,000 to $87,000.

The Koreans partly blame the US failure to penetrate their market on low American productivity. When the markets open up, as for construction equipment, the Japanese meet the supply because they are more competitive. However, generally there is support for responsible exporting.

"We are the 12th largest trading country in the world - we recognise there is a responsibility to keep the free trade system going," says Mr Hwang. Officials say it is a question of when not whether to open Korean markets.

The trouble is that few trading partners appear to believe what the Koreans are telling them. It is partly because of inconsistencies in policy. For example, alternative suppliers of components other than Japan are being sought. Korean car makers leave for the US to buy $300m of components on September 11. And a team of buyers is to go to Europe - coincidentally as EEC inquiries into allegations of Korean dumping are under way - to try to diversify imports from Japan.

UN decides on peace mission

Continued from Page 1

ence by limiting any agenda to implementation of the six-week-old council resolution ordering an immediate end to hostilities.

Lionel Barber adds from Washington: The US said yesterday that the five permanent members of the UN Security Council had agreed on conditions for a visit to the Gulf by Mr Perez de Cuellar.

The full 15-member Security Council is expected to consider the conditions today and the US would be prepared to suspend its drive for a global arms embargo pending the outcome of a trip by Mr De Cuellar, the US state department said.

The conditions are believed to include a "definitive" response by Iran to a July 20 UN Security Council resolution which calls for a total cease-fire in the seven-year Iran-Iraq war.

Lloyd's of London declares record 1984 profit of £300m

BY NICK BUNKER IN LONDON

LLOYD'S of London has declared a record £300m ($492m) profit for 1984, up 68 per cent on the previous year, despite the heavy losses in the US which plagued insurers in the mid-1980s.

Overall, the market showed an underwriting profit of £138m, representing a big recovery after the disastrous underwriting loss of £115m the year before.

In 1983 Lloyd's was hit by large aviation losses, including four wide-bodied jets which crashed. It also faced the impact of Hurricane Alicia in North America, and the need to heavily bolster reserves to cover against claims arising from asbestosis in the US.

Mr Peter Miller, Lloyd's chairman, said overall profits as a percentage of net premiums had risen from 7 per cent in 1983 to 10 per cent in 1984, when the market's net premiums reached £2.96bn.

The £300m profit takes into account £432m in investment income but excludes the impact of losses from the old PCW syndicates, which have been at the centre of allegations of fraud by their former managers, Mr Peter Cameron-Webb and Mr Peter Dixon, and which were heavily exposed to North American liability insurance. Lloyd's said that if the PCW losses were included, the market's overall 1984 profit would be £279m.

In aviation insurance - about 8 per cent of the Lloyd's market - underwriters nearly doubled from £22.1m to £43m, reflecting a fall in the number of catastrophes.

Mr Miller said the overall outlook for 1985 showed profits were likely to rise further, while 1986 appeared to be "a vintage year".

There are increasing signs, however, that the marine insurance business, which makes up about 40 per cent of the Lloyd's market's income, is now heading into a downturn caused by price competition worldwide.

Mr Christopher Rome, chairman of the Lloyd's Underwriters Association, said shipping hull insurers at Lloyd's had increased their total profits in 1984 to £233m, after £217m in 1983.

But he warned that the high profits had drawn in new insurance capacity at a time when stagnant world shipping and oil exploration levels meant there was insufficient business available for marine insurers.

He also warned that the world's insurance industry has still not yet solved the problems of liability insurance, particularly in the US, where he said courts were still making "extraordinary" awards for damages, which had to be paid by insurers.

Peking unveils wide changes

Continued from Page 1

very impressive results. What we are witnessing is a move to a much greater role for incentive systems and markets," he said.

He emphasised that the Chinese leadership had a very practical approach to policy-making, and that the World Bank approved of almost all of its policies, present and planned, though he suggested that the interest rate structure should be overhauled. "We like interest rates to reflect the actual scarcity of capital more accurately."

Two Elders flotations may raise $2.8bn

Continued from Page 1

in Canada - with combined full year sales of some A$5bn. Negotiations are underway with the London Stock Exchange for what is expected to be a £1.2bn flotation next spring.

However, unlike Pubco, the shares in the brewery business will first be offered to Elders' shareholders, 80 per cent of whom are Australian.

UK institutions will be involved in underwriting the issue and this should bring a sizeable amount of the stock into the London market.

Elders plans to retain 65 per cent of the brewing company. Mr Elliott says that the brewing flotation is part "of our plan to Fosterise the world".

The much-promoted Fosters is the world's second biggest export lager - although Elders ranks sixth in the world volume brewing league.

After Elders bought Courage, various schemes to realise the value of the pub estate - the fifth largest in the UK - were put forward.

Earlier plans for thousands of joint-venture companies - half owned by Elders, half-owned by publicans - foundered on legal difficulties. The technical details of the flotation scheme as far as its affects Courage's 4,600 tenants and 400 pub managers have already been concluded.

Yesterday, Mr Elliott also took the opportunity to clarify his political ambitions. As part of the restructuring deal he has agreed to remain chairman of Elders and all its newly floated subsidiaries for the next three years.

"I do not intend to run for (the British) Parliament at the next elections (due at the latest in 1991) but I hope to take up the post of Liberal Party president this October and concentrate on building up the party's organisation and campaigning." This would appear to rule out any prospect of Mr Elliott, 45, running as a possible opposition leader until the mid-1990s.

Hong Kong loan row threatens UK export credit plan

By Peter Montagnon in London

ELABORATE plans to reform Britain's system for financing medium-term export credits have been jeopardised by a fierce row between the Export Credits Guarantee Department (ECGD) and banks in the City of London over a 10-year-old loan to finance the construction of a power station in Hong Kong.

The row, over an ECGD proposal to extend the life of the credit for a further 3½ years, has surfaced just as banks were preparing to endorse a complex scheme to reduce the cost to government of subsidising export credits by refinancing them in the international bond markets.

It comes as a fresh embarrassment to the Government, which has been trying to negotiate the new system for export credits with City institutions since the spring of last year.

ECGD declined all comment on the dispute yesterday, but bankers say they are incensed by its effort to try and extend the loan at an interest margin of less than ¼ per cent over money market rates. This is less than it would expect to receive under the new export credit proposals due to come into force in December.

The loan in question is a $390m credit, guaranteed by the ECGD and led by J Henry Schroder Wagg, to finance the Castle Peak Power station in Hong Kong on which banks were originally prepared to lend only for 10 years. ECGD assumed that when that period elapsed they would be prepared to extend the balance of the credit, which now amounts to $130m.

ECGD argues that such an operation falls outside the new rules for export credits, but this has reopened uncertainty in the banking community and its insistence on tough terms has soured the generally positive atmosphere in which the broader talks on export credit reform were concluding. "It strikes at the root of our agreement," said one senior lender.

Both sides are now looking urgently for a compromise which would also help define more clearly the range of loans to which the new export credit rules will be applied, but without such a compromise several of the 17 institutions involved in the Castle Peak loan will refuse to endorse the new export credit proposals, effectively preventing their implementation.

These proposals involve a modest cut in interest margins paid to banks which provide export finance, coupled with large savings to the Government through the refinancing of existing export credits worth more than £10bn.

Editorial comment, Page 20

Tokyo bond prices stage recovery

By Ian Rodger in Tokyo

BOND AND SHARE prices fell heavily in Tokyo yesterday morning in the wake of the so-called Tateho shock, but staged a partial recovery later in the day.

On Wednesday, Tateho Chemical Industries, an Osaka-based speciality chemical maker, announced that it had recently lost Y20bn ($141m) on its investments in the Japanese bond market - more than its net worth.

Many Japanese industrial companies have invested heavily in the bond and stock markets in the past two years, and some analysts fear that there will be other victims of the so-called Zaitech (aggressive portfolio management) boom.

Shares on the Tokyo Stock Exchange fell sharply at the opening yesterday morning. At 10am, the Nikkei average of 225 leading shares was off 375.63 points. However, the market rallied later in the day and the average closed at 25,649.88, down 296.72 on the day.

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THE LEX COLUMN

A tonic for Cadbury

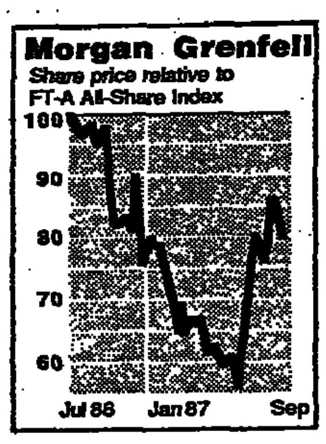
Cadbury Schweppes must have written its interim statement with great care. Since General Cinema bought 8.3 per cent of the equity - even if part of the stake is backing a bond issue - Cadbury has needed to sound as confident as possible. On the other hand making profit forecasts is not done. So confidence that the pace set for the first half will be maintained for the year apparently does not mean that the 47.6 per cent pre-tax profit increase, to £63.6m, will be matched in the second half to give annual profits of £193m.

It would take a remarkable Christmas for Cadbury's 1987 profits to reach that height. Yet they may not be far below it, and if so the takeover threat should at last disappear. The focusing of the group on its two chosen activities, which involved far reaching management changes, is clearly having a dramatic effect on most parts of the business. And the new joint venture between Schweppes and Coca-Cola in the UK must almost have been glad of the poor summer weather considering the problems of its early success.

This deal alone should offer Cadbury tremendous profit potential - which will be tempered at the earnings level by minorities - if it can gain a yet greater share of a rapidly growing market against fragmented opposition. That is quite unlike the UK confectionery market, where the three big players have around 80 per cent of a market which grows only when prices are held down. Cadbury's recent gains might be expected to prompt a swift reaction, although Mars, for once, seems to be a silent planet. In the US, despite Cadbury's recovery in confectionery, its position is much worse as a small player against two giants. No wonder then that Cadbury is ready to predict that this year drinks profits will exceed confectionery profits. And further ahead the faster growth of one of the two legs may give a lopsided look to Cadbury - or should it be Schweppes for short?

Morgan Grenfell

The assorted bunch of corporate sharks which have been building up stakes in Morgan Grenfell may well be right that they can smell blood in the water, but the message from yesterday's interim results is that



the group's underlying business has held up surprisingly well given all the bad publicity of the past few months.

Pre-tax profits fell by 8 per cent to £47m, but this was comfortably ahead of the market's expectations and some 50 per cent above the depressed second half of 1986. While the relative contribution from the corporate finance side was substantially down, reflecting the slower pace of merger and acquisition activity, the group has retained its position at the top of the M & A pecking order, and a 25 per cent jump in its balance sheet size underlines the increasing importance of its securities trading business.

Morgan has been able to hold on to most of its key clients and staff and while the new management team has still to show its mettle, it does not appear as much in need of a capital injection as some of its competitors. It is confident that it has an independent future but at 530p, its shares are telling a different story.

BPCC

The remarkable performance of the British Printing and Communication Corporation's share price since the rights issue has been causing considerable puzzlement among printing analysts. Some of the strength can, perhaps, be attributed to the imminence of listings in New York and Tokyo, the enthusiasm of a few of the rights underwriters, and even rumours that Mr Maxwell is finally going to tell all on Pergamon Holdings.

But despite some understandable cynicism about prospective earnings growth, the recent rerating also suggests that many investors are now buying the - persuasively told - story of BPCC's "quantum leap." The immediate leap has, however, been into portfolio management, with close to half of the full year profit expected to come from investment income. That may not help to calm the old anxieties about quality of earnings, but the shift in emphasis from printing to publishing does. Certainly, there is the problem that buying expensive publishing companies will, at least temporarily, reduce the yield on all that rights cash. BPCC's answer is to point to Pergamon Orbit Infoline and the brave new world of electronic databases in which it already claims market leadership. Add to that the end of the heavy investment phase in printing and the future can, indeed, look rosy. Nevertheless, faith is still required in uncomfortably large measure.

Settlement risk

While much has been made of the mounting back office settlement problems facing the world's brokerage firms, international banks are facing equally daunting back office problems in the interbank markets, where the rapid growth of new financial instruments is straining traditional settlement procedures. The system has been noticeably creaking since late 1985, when a medium sized New York bank had to borrow $24bn from the New York Fed because the computer handling its transactions went on the blink.

Though this was quickly explained away as a technical accident, bank regulators have been working ever since on ways to limit the scale of business banks can do in intra-bank trading. Meanwhile, the banks themselves are working on ways to reduce the number of settlements involved in completing their financial transactions. Barclays yesterday unveiled what it believes is the first partial answer to the settlement problem - the Exchange Rate Agreement(ERA)- which is designed to eliminate the settlement risk in foreign exchange swaps. Though complex in its operation, it appears to effect a real reduction in volume of paperwork - an example which urgently needs to be followed by the Stock Exchange.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	-	-	Dubrovnik	S	29	82	Malta	C	30	85	Rhodes	F	27	81
Algiers	-	-	-	Edinburgh	C	19	66	Manchester	R	15	59	Rio de J'o	C	23	73
Amsterdam	-	-	-	Faro	S	27	81	Manila	C	29	84	Rome	F	29	84
Athens	S	30	86	Florence	-	-	-	Melbourne	-	-	-	Salzburg	F	21	70
Bahrain	S	39	102	Frankfurt	S	23	73	Mexico City	C	19	66	San Francisco	C	25	77
Bangkok	C	32	90	Funchal	-	-	-	Miami	S	31	88	Seoul	S	26	79
Barcelona	S	27	81	Geneva	S	24	75	Milan	-	-	-	Singapore	S	32	90
Beirut	S	31	88	Gibraltar	S	24	75	Montreal	C	18	64	Stockholm	C	16	61
Belfast	-	-	-	Glasgow	-	-	-	Moscow	C	11	52	Strasbourg	-	-	-
Belgrade	F	28	82	Guernsey	C	19	66	Munich	R	20	68	Sydney	S	19	66
Berlin	S	23	73	Helsinki	C	12	54	Nairobi	-	-	-	Taipei	S	35	95
Biarritz	-	-	-	H. Kong	S	30	86	Naples	F	30	86	Tangier	S	27	81
Bombay	-	-	-	Innsbruck	F	24	75	Nassau	C	33	91	Tel Aviv	S	31	88
Bordeaux	-	-	-	Inverness	-	-	-	New Delhi	S	37	99	Tenerife	-	-	-
Brussels	S	24	75	Islamabad	S	37	99	New York	S	26	79	Tokyo	R	26	79
Budapest	F	25	77	Istanbul	C	26	79	Nice	-	-	-	Toronto	C	20	68
B. Aires	S	19	66	Jakarta	S	34	93	Nicosia	S	37	99	Tunis	F	30	86
Cairo	-	-	-	Jersey	C	19	66	Oporto	-	-	-	Valencia	-	-	-
Cape Town	-	-	-	Jo'burg	C	20	68	Oslo	S	18	64	Venice	F	26	79
Caracas	C	28	82	Lima	C	19	66	Paris	C	22	72	Vienna	F	23	73
Casablanca	S	25	77	Lisbon	S	25	77	Peking	-	-	-	Warsaw	F	22	72
Chicago	S	21	70	London	C	21	70	Prague	F	19	66	Washington	-	-	-
Cologne	-	-	-	Los Angeles	C	26	79	Reykjavik	R	9	48	Zurich	F	23	73
Copenhagen	S	19	66	Luxembourg	-	-	-								
Corfu	S	29	84	Madrid	F	27	81								
Dallas	-	-	-	Majorca	S	30	86								
Dublin	F	19	66	Malaga	S	28	82								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Coup ousts Burundi president

THE PRESIDENT of the small central African country of Burundi, Colonel Jean-Baptiste Bagaza, was overthrown yesterday in a coup while attending a summit of French-speaking leaders in Canada, Reuter reports.

A communique broadcast on official radio from the Burundi capital Bujumbura and heard in the neighbouring country of Rwanda named Burundi's new leader as Major Pierre Buyoya. It said he would head a military council for national redemption.

Communications with Bujumbura appeared to be cut last night, but there were no reports of violence in the central African country of 4.86m people. In Paris, airport sources said Col Bagaza was due in the French capital last night.

Burundi Radio said that Col Bagaza, who took power in a coup in November 1976, was relieved of his duties as head of state, leader of the ruling party and chief of the armed forces. All members of the government, the leadership of the ruling party and the country's judicial council were dismissed.

Col Bagaza, 41, has been regarded by diplomats in Burundi as a peacemaker between his own people, the dominant Tutsi, and the Hutu majority, who had long been held in a form of feudal subjugation by the Tutsi.

Burundi is a small but densely-populated country in the heart of Africa, landlocked between Tanzania to the east, Zaire to the west and Rwanda to the north.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Friday September 4 1987

Manufacturers Hanover in $250m share issue

BY ANATOLE KALETSKY IN NEW YORK

MANUFACTURERS Hanover Trust, the fourth biggest US bank group, is issuing 6m new shares, worth about $250m at current market prices, in an attempt to shore up its depleted shareholders' funds following the heavy provisions it has set aside against its troubled Third World lending.

The planned share sale, to take place in September, will raise the number of Manufacturers Hanover common shares outstanding by 14 per cent. However, it will produce only a modest increase in the bank's ratio of common equity to total assets from 2.3 per cent to 2.6 per cent.

The limited scale of this improvement surprised and disappointed some analysts, who have long pointed to Manny Hanny along with Bank of America, as one of the most undercapitalised major banks in the world.

The bank, however, said the capital raising exercise is only part of a process of balance sheet strengthening, other components of which will include asset sales, tax benefits and the retention of future earnings.

The share sale follows a $1bn equity issue announced last month by Citicorp, the biggest US bank holding company. The much larger Citicorp issue was expected to restore the bank's ratio of equity to assets from just over 2.5 per cent to roughly 4 per cent by the end of the year.

Wall Street bank analysts had generally expected the 4 per cent equity ratio to become an industry-wide target.

According to Mr Norman Jaffe of Fox-Pitt Keelton, a leading brokerage firm specialising in bank stocks, the 4 per cent ratio is still the minimum target that other banks will eventually have to aim for, under pressure from regulators and world financial markets.

Even after the new share issue, Manny Hanny will be about $750m short of attaining this target by the year-end, Mr Jaffe projected.

The other leading US banks which will have to raise substantial equity in the next few months to reach a 4 per cent equity ratio are Bank of America, which will require between $1bn and $1.5bn; Chemical Bank, requiring $800m and Chase Manhattan, which needs $500m, he said.

Litton profits in line with expectations

By Our Financial Staff

LITTON Industries, the US electronics conglomerate, has reported fourth-quarter net earnings of $35.4m or $1.33 a share, up from the $30m or $1.14 a share a year earlier but still down sharply from profits achieved earlier in the year.

For the year ended June 30, Litton reported earnings of $138.1m, or $5.16 a share, on sales of $4.42bn, compared with earnings of $71.1m, or $2.52 a share, on sales of $4.52bn.

The previous year's earnings included an after-tax charge of $98.9m, from asset write-downs on Litton's resource exploration services and advanced electronics operations.

Electronics industry analysts said Litton's fourth-quarter and year-end earnings were in line with Wall Street expectations.

Swedish institutions in US bio venture

BY SARA WEBB, STOCKHOLM CORRESPONDENT

A GROUP of Swedish financial institutions plans to co-operate with California Biotechnology (Cal Bio) of the US in setting up a SKr200m ($31.5m) biotechnology research company in Sweden.

The company, to be called Karo Bio, will concentrate on research projects related to infectious diseases, bone regeneration drugs and steroid receptors. It is expected to have a staff of about 100 researchers within a couple of years.

Most of the ideas will be put forward by Cal Bio, while the research itself will be conducted at Huddinge Hospital, Stockholm.

Investeringsbanken (Sweden's state-owned investment bank), the National Pension Fund, the white-collar workers' pension fund and labour market insurance company, are setting up a joint holding company. This will own 55 per cent of Karo Bio and may in future acquire other related research companies.

Cal Bio has agreed to exchange it research ideas and cash for a 30 per cent stake in the new company. The remaining 15 per cent in Karo Bio will be offered to researchers and key personnel.

Cal Bio, which last year had a turnover of $17m, has developed a nasal delivery system which can be used to administer drugs such as insulin and growth hormones and which is undergoing trials.

Karo Bio will have exclusive European licencing rights to this system and to any products developed in the Swedish research centre.

Mr Sten Wikander, managing director of the National Pension Fund, said Karo Bio was "a high risk investment"

Cray drops advanced computer project

By James Buchan in New York

CRAY RESEARCH, the fast growing Minneapolis company that dominates the market for the quickest and most powerful computers, has announced that it is scrapping its most advanced "supercomputer" project and losing the project's highly regarded leader, Mr Steve Chen.

Industry analysts say the departure of Mr Chen, who designed the company's successful current computer range, could be a setback to Cray Research as it attempts to repel domestic and Japanese competition in the market it has controlled since 1976.

The new project, known at Cray Research as MP, was planned by Mr Chen for the early 1990s as a high level parallel processing system with up to 100 times the performance of current machines, which are mainly used for design and modelling work in government and such industries as aerospace and energy. "Steve was looking two generations out," said Mr Robert Gaertner of Cray Research.

Mr John Rollwagen, chairman, said the project "has grown significantly beyond our original vision, both in terms of technological risk and budget."

Cray Research, which last year reported earnings after tax of $23.3m on revenues of $138.2m, said the MP had already absorbed more than $25m in research funds since Mr Chen started work in late 1985.

Mr Chen, 43, who was one of two principal designers at Cray Research, will pursue the project outside the company along with several members of his team, Mr Rollwagen said.

Both Mr Gaertner and analysts noted, that the company had two powerful new machines set for introduction in the late 1980s, with Mr Chen's Y-MP slated for next year, to be followed by the Cray-3.

Goldsmith said to have abandoned Pan Am plan

BY JAMES BUCHAN IN NEW YORK

SIR JAMES GOLDSMITH, the *Anglo-French financier*, has baulked at attempting a rescue of Pan American World Airways, the deeply troubled US international airline, according to officials of the carrier's trades unions.

Ms Margaret Brennan, chairman of a labour group which has been desperately attempting to attract outside capital, said Sir James had told Pan Am management that he had decided not to invest money in the company. Sir James could not be reached from New York and Pan Am would not comment.

Sir James' decision is a severe blow to the coalition of four unions, which is deadlocked in discussions with Pan Am's management over wage concessions and has been looking for an outside buyer for the airline since February.

Sir James Goldsmith

The decision increases fears on Wall Street that Pan Am, which turned a modest $10.5m profit in the second quarter but is deeply mired in debt and pension liabilities, may be all but unsaleable. The company still depends on volatile international routes and all its main assets are mortgaged. Pan Am's stock dropped $¼ yesterday morning to $4⅝.

"We know what shape the company is in," Ms Brennan said. "This sort of confirmed it for us." For just over a month, Sir James' US associates have been studying Pan Am and a restructuring proposal drawn up on behalf of the unions by Drexel Burnham Lambert, the Wall Street investment firm.

Under the plan, outside investors would pump capital into Pan Am while the unions, representing most of Pan Am's 21,000 employees, would make pay and productivity concessions.

Ms Brennan said Pan Am mangement had informed her that Sir James had withdrawn because of the airline's need for capital, its unfunded pension and other liabilities and restrictive work rules. She also said Sir James had criticised management for disposing of $1.6bn in assets without improving Pan Am's position.

Federal law also precludes a foreigner from owning more than 24.9 per cent of Pan Am.

Austral privatised for $28m

BY TIM COONE IN BUENOS AIRES

AUSTRAL, the Argentine state-owned domestic airline, has been sold for $28m to Cielos del Sur, a subsidiary of the Argentine heavy engineering group Pescarmona-Riva, bringing to a close the country's first major privatisation effort.

Cielos del Sur bid for Austral's three leased DC-9 80 aircraft, eight BAC-111 aircraft, hangars, workshops and spares was $1m above the floor price set earlier this year by the Ministry of Public Works which adjudicated the tender.

The decision was made this week after McDonnell Douglas of the US, owner of the DC-9s, accepted the guarantees offered by Pescarmona to continue the lease agreement.

Some $14m has already been paid for the DC-9s under the agreement, which includes an option to buy. Pescarmona is to pay 20 per cent of the $28m immediately, and the rest in 10 six-months instalments. The new owners are to spend $4m refurbishing the ageing BAC-111s to keep them in the fleet for a further five years.

Austral was nationalised seven years ago when its owners went bankrupt with debts which by 1983 totalled $150m. Efforts to return the loss-making airline to the private sector failed to attract suitable offers.

Under new management brought in after the 1983 presidential elections, Austral began to show an operating profit and was placed on offer again in February, free of its debts which the government is to pay off.

Austral is the first big privatisation carried out by President Raul Alfonsin's Government after almost four years of promises to cut back state participation in the economy. The debts amassed by practically all the state-owned companies makes privatisation a thorny issue because the companies can only be made attractive if the government assumes their debts.

A bankruptcy by the new owners would be politically damaging so a suitable choice for Austral's new owner is critical to the entire privatisation strategy.

Buyers eye US leased jewellery operator

By Andrew Baxter in London

THREE BRITISH companies and several US groups have approached Seligman & Latz, a US jewellery, cosmetics and beauty parlour group which went private in 1985, about a possible purchase of its fast-growing Finlay Fine Jewelry division.

Finlay is the largest US operator of leased jewellery concessions in department stores, with more than 500 outlets, and has annual sales of $270m.

However, in common with the other Seligman & Latz divisions, it was struggling when the company was bought in a $42m leveraged buyout led by Mr Harold Geneen, former chairman of ITT, and Transcontinental Services headed by Mr Nathaniel de Rothschild.

The recovery in jewellery division profits, from break-even at the time of the deal to an annual rate of $30m pre-tax, has prompted interest from other jewellery retailers. The industry is undergoing a period of realignement and changes of ownership, as groups such as Ratners of the UK see opportunities to inject stronger management

Mr David Cornstein, president and chief executive of Seligman & Latz, said in London yesterday that the company's resurgence had been based on management techniques developed by Mr Geneen while he was at ITT – monthly business meetings and strict adherence to financial targets – and better stock control.

He would not name the UK companies interested in buying the division, but confirmed they were already in jewellery retailing. He suggested that a buyer could use Finlay as a base for expanding into more capital-intensive free-standing jewellery retailing.

Mr Cornstein would not say how much the division was worth, but the value of any deal would be well in excess of the price paid for Seligman as a whole.

INTERNATIONAL COMPANIES and FINANCE

Fierce fight erupts for NZ forest group

BY DAI HAYWARD IN WELLINGTON

A FIERCE fight between Rada and Fletcher Challenge over future control of New Zealand Forest Products erupted in the New Zealand stock market yesterday. It began when the investment company Rada moved into the market aiming to boost its stake in Forest Products to 44 per cent with an offer of NZ$5 ($3) a share. This compared with a closing price of NZ$4.63 the previous day.

A counter-offer was soon made by what was at first an unknown buyer, ranging between NZ$5.03 and NZ$5.05. After several million shares had changed hands, Fletcher Challenge admitted what most observers had suspected—that it was the buyer.

Rada claims it made its move to stop Fletcher Challenge gaining control of Forest Products and that it will retain its major shareholding. But last night Rada's chairman, Mr Bob Gunn, who is also chairman and acting chief executive of Forest Products, did not deny entirely that Rada might consider selling at a premium at some later date. Rada did not counter Fletcher Challenge's move.

By the end of the day Rada had picked up 8.2m shares, giving it a stake of more than 40 per cent of Forest Products, while Fletcher Challenge had bought 5.5m shares.

On Monday morning Rada held 25 per cent of Forest Products. It then acquired the 11 per cent shareholding formerly held by the Australian paper-making company Amcor, whose own plans for a friendly 50-50 merger with Forest Products were rejected by the New Zealand Commerce Commission. Rada also picked up some other small parcels, totalling about 3 per cent of Forest Products.

There are now very few large blocks of Forest Products shares remaining. Mr George Wheeler, Rada's managing director, says several shareholders told Rada they did not want Fletcher Challenge to gain control and would sell their shares if Rada was interested. He said Rada believes it will have effective control at 44 per cent.

On Wednesday, Sir Ron Trotter, the Fletcher Challenge chairman, said he was confident Fletcher's application for control would be approved. His company would then be prepared to talk to Rada about future shareholdings.

Fletcher Challenge now holds about 15 per cent of Forest Products and has an agreement to buy another 12 per cent from the AMP Society.

While Rada already has Commerce Commission permission to obtain up to 100 p - cent of Forest Products, Fletchers is still awaiting a decision on two applications — one to go to 35 per cent and the other for full 100 per cent control.

To increase its stake to 44 per cent, Rada will need to lay out about NZ$175m. Its total investment would then be close to NZ$1bn.

Rada was set up by New Zealand Forest Products as an investment arm in 1985. It first acquired shares in its parent company last November, when it bought 100m from Wattie Industries at NZ$5 a share.

Mr Gunn described the struggle for control of the forestry giant as "the worst example of three-dimensional chess" he had ever seen. "There are so many different players and so many pressures. (They) are mind boggling," Mr Gunn said. He added that, although the interest bill on the cost of buying Rada was high, the prize was "very big."

Mr Gunn said Rada had decided to make its move because it did not want to be in a position where it held 35 per cent and Fletcher Challenge 35 per cent. It was important for Rada to have a dominant position.

Overseas activities lift Feltex

BY OUR WELLINGTON CORRESPONDENT

THE NEW ZEALAND carpet-based group, Feltex International, increased after-tax profit by 58 per cent to NZ$74.7m ($44.8m), as a result of diversification and expanded investment in overseas manufacturing.

The company is making a one-for-eight share issue to raise NZ$60m to buy Super Sky, a US manufacturing company. Based in Wisconsin, Super Sky designs, fabricates and installs glass roofing systems, and will cost Feltex NZ$71m. The company also plans additional investment in commercial furniture and other building operations.

It has predicted improved profits next year and an increase in sales from NZ$661.6m to more than NZ$1,000m. During the year Feltex acquired the American commercial and systems furniture manufacturer Allsteel Inc.

Mr Peter Stanes, the chairman, said Feltex is still in a transitional stage, but already has substantial manufacturing companies in the US, Canada and Australia, as well as New Zealand.

The special share issue will be offered to holders at 300 cents per share compared with the current market price of 412 cents a share.

Shearson expands Tokyo unit

BY GORDON CRAMB IN NEW YORK

SHEARSON LEHMAN Brothers, the securities offshoot of American Express, is to put an additional $85m into its Tokyo operation in order to expand investment banking and capital markets activities there.

Its Shearson Lehman Brothers Asia unit is to increase its capital to $100m, which Shearson said would make it the third largest US securities firm in Japan by that measure.

The $15m level from which it has been operating was in line with start-up commitments from most foreign brokerage houses. A few have already moved to strengthen their financial base to benefit from deregulation in the Japanese financial sector.

Shearson, in which Nippon Life Insurance has a 13 per cent stake, gained full branch status for its 160-person Tokyo office last May. From there it conducts equity and bond trading as well as underwriting and financial advisory services.

Mr Peter Cohen, group chairman, said Tokyo acted as "the hub of our growing Pacific Basin business" where Shearson has five other offices.

Laurentian plans national network

BY ROBERT GIBBENS IN MONTREAL

THE LAURENTIAN Group, one of Canada's fastest growing financial services groups, plans to convert its Quebec-based savings bank subsidiary into a national banking operation.

The new name will be Laurentian Bank of Canada and it will become a Schedule B bank under federal banking legislation. The existing savings bank now operates under a unique federal act.

Laurentian Bank will merge with another financial services subsidiary of Laurentian Group, giving it more than 100 branches, mainly in eastern Canada and assets of more than C$5bn (US$3.8bn).

As a Schedule B bank Laurentian can continue to be owned by its parent and can offer a full range of banking services including commercial and consumer loans. The Laurentian group also controls Trident Assurance of the UK.

● Strong export sales, lower interest costs and lower exchange losses brought a strong recovery in profits at Hydro-Quebec, Canada's largest electric utility, in the first half.

Net profit was C$347m, up from C$113m a year earlier, on revenues of C$2.57bn, against C$2.43bn. Total sales of electricity were up 8.7 per cent for the provincially-owned utility.

Exports to the US and other Canadian provinces were up 21.3 per cent. Interest charges and foreign exchange losses dropped nearly 8 per cent. Expenses overall rose 1.6 per cent.

Lower costs help Sumitomo Rubber result

By Yoko Shibata in Tokyo

SUMITOMO RUBBER Industries, which took over Dunlop Tyre's European and US operations, reported a 34.7 per cent gain in pre-tax profits to Y2.23bn ($15.3m) in the first half year to June 1987. Net profits were up by 81 per cent to Y1.1bn. The company attributed its strong growth in earnings to reduce material costs stemming from the strong yen.

Half-year turnover, however, slipped by 2.7 per cent to Y93.58bn. Sales of car tyres, representing 74 per cent of sales, fell by 8 per cent, reflecting sluggish vehicle exports. The interim dividend was unchanged, at Y3 per share.

For the second half of the current year, the company intends to boost non-tyre sales.

Full year pre-tax profits are projected at Y4.2bn, up by 21.5 per cent from the previous year, on turnover of Y192bn, up by 0.8 per cent from the previous fiscal year.

Arab Banking takes 25% of Bangkok bank

By Stephen Fidler, Euromarkets Correspondent

ARAB BANKING Corporation, the Bahrain-based international bank, said yesterday it had acquired 25 per cent of the share capital of Union Bank of Bangkok.

Union Bank, the 12th largest commercial bank in Thailand, has just completed a flotation of new shares totalling Baht 100m ($3.9m) to bring its paid-up capital to Baht 500m. The bank, with 83 branches, had balance sheet footings exceeding Baht 14bn at the end of last year.

ABC did not disclose the purchase price for the stake, the maximum it is permitted to acquire as a foreign shareholder.

Hutchison-Boag in acquisition

HUTCHISON-BOAG ENGINEERING, a wholly-owned subsidiary of Hutchison Whampoa, has acquired China Cold Storage and Engineering and its subsidiary Weatherite Industries for an undisclosed amount of cash, reports Reuters in Hong Kong.

China Cold Storage and Weatherite are locally-based private companies owned by James Wu, chairman of Hopewell Holdings.

Record profit from Bank Hapoalim

By Judith Maltz in Tel Aviv

BANK HAPOALIM, Israel's largest bank, virtually quadrupled net earnings in the first half of the year to 67.1m shekels ($41.7m) compared with 19m shekels in the same period last year, maintaining its position as the country's most profitable bank.

These results, the best Hapoalim has posted for a six-month period, were attributed mainly to an aggressive campaign to expand operations, especially with small and medium-sized businesses.

Net return on equity of 11 per cent was also the highest rate reported in the Israeli banking system. Total assets expanded by 3.6 per cent, compared with the latter half of 1986, to 43.8bn shekels, widening the gap between its balance sheet and that of Bank Leumi, its long-time rival, to some $3bn.

A new law lowering corporate tax rates was not a key factor in the dramatic upturn in Hapoalim's earnings, as it was with Israel's other major commercial banks, which also enjoyed vastly improved profitability in the first half of the year.

In fact, taxes this year took an even larger bite out of Hapoalim's gross profits which, at 140m shekels, increased by far more than those of any other bank.

While refusing to disclose an exact figure, a spokesman for Hapoalim said the bank's position for bad debts was no less than Bank Leumi's, which several weeks ago published a figure of $100m.

The bank said it expected the trend towards improved profitability to continue in the current half of the year.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Japanese and US prices stabilise after retreat

BY STEPHEN FIDLER AND ALEXANDER NICOLL

JAPANESE and US bond prices stabilised in Europe yesterday as traders and investors assessed the sharp midweek retreat in both markets.

The cause of much of the trouble, the Y20bn in losses on bond futures trading at Tateho Chemical Industries, a Japanese producer of materials for the electrical industry, was still being digested in the markets.

The Tokyo bond market dropped sharply yesterday, but much of the move had been presaged in London trading on Wednesday.

The benchmark Japanese government bond, the Number 89, which carries a 5.1 per cent coupon and a 1996 maturity, closed at 101.04 on the Tokyo Stock Exchange, down 3.20 on the previous close. The yield jumped a full half-point to 4.93 per cent from 4.43 per cent, before slipping slightly in London later.

While Tateho's activities must represent an extreme case, the Japanese bond market has dropped sharply since May, suggesting many companies, securities firms and banks are sitting on big losses on their bond portfolios.

While this concern may have been overdone—companies are more likely to offset losses on bonds with profits on their holdings of stock — the announcement hit sentiment, while the market was shaking from other psychologically-damaging factors. The heightening of tension in the Gulf, from which Japan gets much of its oil, and supply worries following the first auction of long-term Japanese bonds this week have also hit prices.

Nomura was said to have *taken Y125bn of the Y500bn* auction and Daiwa Y90bn, but the supply in a traditionally thin, and hence volatile, September market was causing concern.

Worries that Japanese institutions would also boycott the US market has also depressed sentiment there. This was not helped on Wednesday by the sale of $253m of two-year, five-year and 10-year bonds by the state of West Virginia.

Apart from background worries about a discount rate rise, and the more likely near-term prime rate increase by the banks, the US Treasury

INTERNATIONAL BONDS

bond market was following the dollar. It was slightly firmer in the European morning and lost ground in the afternoon.

Dollar Eurobonds opened unchanged, firmed up to ⅛ of a point and then slid back in the afternoon in thin trading. The yen Eurobond market tracked a mirror image, although prices ended mixed. The market in Japanese equity warrant bonds and convertibles also steadied after Wednesday's sharp drop, with a selective rally in some issues.

The West German and Swiss foreign bond markets continued their declines of Wednesday. Prices of German bonds dropped by up to ½ point, with the market unusually tracking the US bond market rather than the dollar. Trading was nervous and thin.

The Swiss market was *down* by ¼ point on average.

The feature of a quiet new issue Eurobond market was a two-bond package for Toyota Motor Credit, believed to be *swapped into floating* rate dollars. Morgan Guaranty led the three-year deals, for C$75m and Ecu 85m, both of which were bid at discounts equal to their fees.

The Canadian dollar bond was priced at 101⅞ with a coupon of 11 per cent, and the Ecu bond was also priced at 101⅞, with an 8 per cent coupon.

Taiyo Kobe Bank issued $120m of 15-year convertible bonds through its Taiyo Kobe International subsidiary. The coupon was indicated at 1¾ per cent, and the issue was bid 1¾ points below the par issue price, within the 2½ per cent total commissions.

Nippon Meat Packers issued two equity-linked bonds, a $100m issue with equity warrants and a SFr 100m convertible bond. Yamaichi International led the dollar issue which, *like its deal for* Matsushita Electric Works on Wednesday, was given an indicated coupon of 3 per cent, bucking the current standard of 3¼ per cent for five-year issues. The issue was bid 1¼ points below par, equal to the level of the selling concession.

Credit Suisse indicated a coupon of ⅞ per cent on the 5½-year Swiss franc privately-placed issue for Nippon Meat Packers, which was quoted around par.

Also in Switzerland, Japan Finance Corporation for Municipal Enterprises, which borrows with a government guarantee, made a SFr 100m 14-year public issue priced by Swiss Bank Corporation at 99¾ with a 5 per cent coupon. At this level, its yield was less than that of a recent issue for City of Kobe at its bid price of 3¾ points below issue price.

Tokuyama Soda, a chemicals and cement company, issued *SFr 100m* of five-year 4¾ per cent bonds priced at par by *Union Bank of Switzerland.*

London SE to relax listing requirements

LONDON'S Stock Exchange is to relax and simplify listing requirements for Eurobonds in an attempt to lure issues away *from Luxembourg.*

Impetus to attract Eurobond listings has been given by the growing importance within the exchange's membership of international firms, many of which arrange Eurobond issues in London but obtain listings for them in Luxembourg.

Among the principal changes are the introduction of a straightforward listing charge based on the size of the offering, instead of scaled fees. Listings will cost 8p per £1,000 for new borrowers and 6p per £1,000 for issuers already listed.

The range of firms which may *sponsor* issues has been expanded to include international houses which expect to be authorised by the Securities Association.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	91⅝	92⅛	−0⅛	−1½	9.77
All Nippon Air 9⅝ 97	100	99⅛	94⅛	−0⅛	−2½	10.30
American Brands 8⅝ 92	150	96⅝	97⅛	−0⅛	−1⅛	9.70
A/S Eksportfinans 7⅞ 93	100	90½	91⅛	−0⅛	−1⅛	9.64
A/S Eksportfinans 7¼ 92	150	91⅛	92⅛	−0⅛	−1⅛	9.54
BP Capital 9⅞ 94	100	—	—	—	—	—
British Telecom 7⅞ 96	250	86⅛	86⅛	−0⅛	−2	9.97
British Telecom 8⅞ 94	150	195¾	96⅛	−0½	−1	9.69
Campbell Soup 10½ 95	100	103½	104	−0⅛	−1⅛	9.80
Canada 9 96	1000	95⅞	96⅛	−0⅛	−2	9.67
Canadian Pac. 10⅛ 93	100	103⅛	103⅛	−0⅛	−0⅛	9.94
CCCE 7⅛ 91	113	92½	93	+0⅛	−1⅛	9.90
CNCA 7¼ 91	150	92⅛	92⅛	—	—	9.47
Citicorp 8¼ 93	200	190⅛	91⅛	0	−2	10.33
Credit Lyonnais 9 91	200	99⅛	99⅛	+0⅛	−0⅛	9.24
Credit National 7⅞ 92	100	93⅛	93⅛	0	−1	9.14
Credit National 7¼ 91	150	95⅞	95⅞	0	+1	8.57
Denmark Kingdom 7⅛ 92	500	91	91½	0	−1⅛	9.58
Denmark Kingdom 8⅛ 91	500	96	96½	−0⅛	−1	9.46
EEC 7 91	100	92⅛	92⅛	−0⅛	−1½	9.25
EEC 7¼ 93	250	90⅛	90⅛	−0½	−1⅛	9.59
EEC 8¼ 96	100	90⅛	90⅛	0	−2¼	9.88
EIB 7⅞ 93	100	90⅛	90⅛	−0⅛	−2⅛	9.70
EIB 9⅞ 97	150	95⅞	95⅛	−0⅛	−2¼	10.11
Finland 7⅞ 97	200	86⅛	86⅞	−0⅛	−2⅞	10.18
Finland 7½ 93	200	90⅝	91⅛	−0⅛	−1⅛	9.53
Ford Motor Cred. 10½ 91	250	103⅛	103⅛	−0⅛	−1½	9.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change on day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

OTHER STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

[illegible]

Boliden to put SKr3bn into mining projects

By Sara Webb in Stockholm

BOLIDEN, the Swedish mining, metals, and chemicals group, has proposed investing up to SKr 3bn ($472m) in about 20 mining projects in northern and central Sweden which would either open up new mines or extend the life-time of existing projects.

The new projects could create up to 2,500 new jobs, although Boliden said that as is has already set in motion tough job cuts as part of its rationalisation plans, some of those facing job cuts could be moved to the new projects instead.

Most of the new projects identified are complex ore mines which contain copper, lead, zinc, and precious metals, though Boliden said it does not know what potential the new mines have and has not produced estimates *of* their total output.

Apart from the complex ore mines, the plans include two mines in the far north—a mine at Aitik, which mainly produces copper, and another at Laisan, which mainly produces lead. Boliden expects theexisting mines to be exhausted in 10 years, but says that mining there could be *prolonged for a further 10* years, but says that mining there could be prolonged for a further 10 years by opening up new areas.

Bertelsmann sees recovery in earnings

By Andrew Fisher in Frankfurt

BERTELSMANN, the West German publishing, music and printing group, expects *earnings to move up again* this year after dropping as expected in 1986-87 as a result of its two big US acquisitions.

Mr Mark Woessner, the chairman, said *the* restructuring and integration of Doubleday, the publishing company, and RCA music had proceeded far quicker than expected.

He expected these two new US operations to achieve operating profits of some DM 200m ($111m) in the year to June 1990. Mr Woessner *declined, however, to quantify* their 1986-87 contribution out of total operating profits of DM 575m.

But he said last year's total operating profits compared with a target of DM 540m, with Bertelsmann set for an overall increase this year to DM 670m, rising to DM 810m the following year and DM 950m in 1989-90.

Mr Woessner said that Bertelsmann "continues to be on a good course." Investments to maintain and expand its existing businesses would be around DM 1.2bn this financial year, a level which the group expected to maintain. It was not currently planning further big purchases.

As expected, net profits for the year just ended fell from DM 329m to DM 190m, reflecting the group's policy of absorbing the purchase, financing and depreciation *costs of its acquisitions* as quickly as possible.

Bekaert to shed workers in big shake-up

By William Dawkins in Brussels

BEKAERT, Belgium's leading steel wire products group, will today unveil an extensive programme of redundancies and plant modernisation.

Mr Jacques Rathe, company *secretary,* said details of the plan were being announced to unions yesterday and that working councils, the bodies representing white collar employees, were to be informed *this morning. The company* is not disclosing details to the wider public until its staff have been told, though there has been great public speculation over the move.

Bekaert *has shed 2,300 em*ployees since 1974—up to half that number is expected to go in today's announcement—leaving its Belgian workforce at 7,143 by the end of last year. Of the total, 65 per cent are based at the company's headquarters in Zwevegem, in the northern Flemish part of the country.

The *reductions come* because of persistent overcapacity in steel wire at a time when demand is stagnant and prices are falling. The dollar's weakness has also hit Bekaert's international competitiveness. Operating profits plunged from BFr 4bn to BFr 2.5bn ($67m) last year on sales down from BFr 44.9bn to *BFr 43.7bn.*

● Sabena, the Belgian national airline, has announced the creation of four new subsidiaries to add to its existing 12 operating divisions. They are Sabena-Technique, which will embrace its industrial repair activities, Sabena-Skyshops for duty-free shops and car rentals, Sabena-Building for property operations and Sabena-Leasing for aircraft leasing.

Ian Rodger on the bond trading crisis at Japan's Tateho Chemical

Zaitech claims its first victim

IT WAS only a matter of time until Japan's Zaitech boom claimed some victims, and it came as no surprise in Tokyo financial circles that Tateho Chemical Industries, a struggling specialty chemical maker, was the first.

On Wednesday, Tateho an*nounced that its obligations* exceeded net assets by some Y3.5bn ($25m) as a result of Y20bn ($141m) in losses in the recent sharp fall of the Japanese bond market. The company was working with its bankers to try and "avoid the worst."

Tokyo market analysts suspect that a few similar corporate horror stories will emerge in the next couple of weeks as the end of the first half of many companies' fiscal year approaches. Yesterday, the market was buzzing with rumours of companies that might be in trouble, but most analysts thought these problems would have no lasting effect on the stock and bond markets.

Tateho was one of the first and most aggressive players of the *Zaitech game. Zaitech* (literally, financial technology) refers to the practice by industrial companies of investing their surplus funds in an attempt to bolster overall pro*fits. It first became popular in* the early 1980s when the retained earnings of many export oriented companies were building up rapidly.

Other companies, including *Tateho, became interested in it* as a way of offsetting deteriorating earnings from maturing businesses. Tateho's main business *is supplying* electrofused magnesia to steelmakers.

However, the Zaitech boom really got under way last year, due to a conjunction of favourable factors. The sudden rise of the yen was hitting operating profits on a wide front, causing many companies to look for other sources of income. At the same time, their surplus funds were rising, partly because the strong yen was discouraging them from investing in new plant and equipment and partly because it was reducing their working capital requirements.

Meanwhile, the stock and bond markets were soaring, and there were already many examples at hand of companies that were managing to main*tain their profit levels, thanks* to Zaitech.

Tatesho, for example, had peak operating profits of Y1.04bn in the year to March 1985 and pre-tax profits of Y1.86bn. The following year, its operating profits were halved but, thanks to Zaitech, pre-tax *profits* fell only fractionally to Y1.82bn.

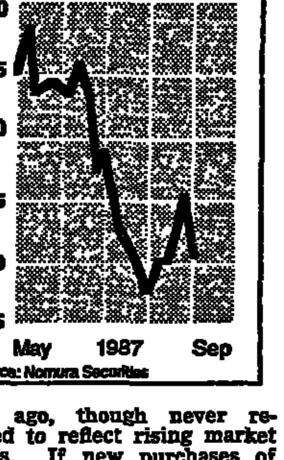
Until now, there has been no stigma attached to the Zaitech game. Even the biggest and most respectable companies play. Many, including Tateho, have floated bond issues so that they can have more money to play with.

Toyota Motor, for example, raised Y200b ni the Eurobond market two months ago, even though its net surplus funds at the end of its last fiscal year to June 1987 totalled Y1,532.2bn ($10.9bn). Toyota's profits from investments last year were Y130.4bn, a third of total pre-tax profits.

The Toyota case illustrates another reason why companies have been tempted into the Zaitech game. It can be very cheap these days for Japanese companies to raise money. At various times this year, the trends in the foreign exchange and bond *markets* have been such that Japanese companies have been able to issue convertible *bonds and swap the interest* rate obligations on them on terms that have virtually eliminated their interest burden.

There are no official statistics on the amount of money Japanese industrial companies have invested in the securities markets. But it is assumed that a good portion of the roughly Y20,000bn ($141.8bn) invested in the Tokkin (special money trust) funds comes from this source.

Tokkin have been particularly popular among industrial companies because they enable them to avoid paying capital gains taxes on their existing strategic shareholdings. Typically, Japanese industrial com*panies have strategic holdings* of related companies purchased



long ago, though never revalued to reflect rising market prices. If new purchases of shares of these companies are made, all the shares must be *revalued and tax paid on the* capital gains. However, by using Tokkin funds, such new investments can be held apart from long-held ones.

Whether there will now be a retreat from the *Zaitech* game remains to be seen, but most analysts in Tokyo yesterday doubted it, as was reflected in the recovery of bond and share prices later in the day.

Tateho, which had net assets of Y16.5bn, had invested, through extensive use of margin buying, Y100bn in the Japanese bond futures market earlier this summer. Mr Tadashi Kawabe, the chairman, admitted that there had been no effective control on the investment activity and no upper limit on the amount that could be invested by the executives in charge.

"Not many companies actively use the bond futures market," Mr Yuji Kudo, managing director of Schroder Investment Management, Japan, said. "In most cases, their investment practices are sound. Recently, companies have been more keen to control their risks."

However, while Tateho may be an exceptional case, most analysts feel it is not the only company that has been badly hurt by the recent slump in the bond market. There are a few other cases of medium-sized companies whose investment earnings have been greater than their operating incomes in recent years.

Hanwa Kogyo, for example, a steel stockholder, had pre-tax profits of Y17.6bn in the year to March 1987, of which only a third came from operations. Torishima Pump had operating profits of Y400m last year but pre-tax profits of Y5.16bn.

Analysts also reported rumours that some larger companies and banks have suffered from the bond market slump, though no one expected a major failure.

One of the problems for investors in Japanese equities is that there is no way of knowing for sure how carefully a company is investing its surplus funds. Mr Akio Mikuni, president of Mikuni and Co, a Japanese bond rating service, said *his policy was to exclude* Zaitech profits when making company assessments, but there was no effective way of assessing Zaitech risks.

The Ministry of Finance has launched an investigation into the Tateho affair, aimed particularly at finding out whether the company's problems arose from excessive sales pressure from stockbrokers.

OEMV plans $200m float

BY OUR FINANCIAL STAFF

AUSTRIA will sell 25 per cent of OEMV, the state oil group, through share issues in Austria, the UK, West Germany and Switzerland.

The flotation, the first in a string of planned partial privatisations for Austrian companies, is to go ahead on November 16 and is expected to raise up to Sch 2.5bn ($200m). Two-fifths of the issue will be placed outside Austria.

The Government has decided in principle to sell up to 49 *per cent of OEMV, which made* a net profit of Sch 300m last year, up from Sch 240m previously, and expects to pay a maintained 15 per cent dividend for 1987.

Thomson confirms job cuts

BY PAUL BETTS IN PARIS

THOMSON-CSF, the French nationalised defence and electronics group, confirmed yesterday plans to reduce 2,492 jobs between now and the end of next year.

The group announced the job cuts to a meeting of the company's central works council. The main cuts will involve Thomson-CSF's avionics and defence electronics divisions.

The cuts reflect the decline in new defence orders, especially from Thomson's traditional *Middle East clients. The company* does not rule out the possibility of additional job cuts. The defence sector accounts for about 80 per cent of Thomson-CSF's turnover.

UK COMPANY NEWS

BPCC profits soar to £70.5m

BY CLAY HARRIS

British Printing & Communication Corporation, the printing and publishing group controlled by Mr Robert Maxwell, yesterday reported interim pre-tax profits of £70.5m, less than £10m short of the figure for the whole of last year.

The pre-tax increase from £27.5m in the first six months of 1986 was achieved on turnover 94 per cent ahead at £370.2m (£191m). With earnings per share advancing by a more modest 17 per cent to 13.7p (11.7p), the interim dividend is unchanged at 6p.

Nearly half of the pre-tax profit (£32.4m) came from net interest receipts and similar income, which includes profits on dealing in other companies' shares.

Mr Maxwell said yesterday that BPCC was seeking a Tokyo listing, to be sponsored by Nikko Securities. Plans for an ADR listing in New York were also well advanced, and applications would be made for quotations in Paris, Frankfurt, Zurich, Montreal and Sydney.

The new foreign listings could help to relieve the glut in the London market in the wake of BPCC's expanding its number of shares in issue by two-thirds with a rights issue in July. BPCC shares yesterday added 19p to close at 395p.

As a result of the issue, which raised a net £630m, BPCC now has net cash and short-term investments of £400m, part of shareholders' funds exceeding £1.1bn.

It plans one or two major acquisitions within the next six months, focusing in particular on increasing the contribution of publishing, information and communications to 50 per cent within two to three years from 20 per cent at present.

BPCC was looking immediately at electronic publishing and on-line data and information services. Pergamon BPCC Publishing expected shortly to acquire Pergamon Orbit InfoLine, the electronic publishing and database group which owns the rights to many standard reference works in science, engineering, medicine and education.

With its results still heavily weighted toward the second half, BPCC's turnover would exceed £1bn this year, even without any more acquisitions, according to Mr Maxwell.

He said that BPCC was preparing to reap the cash-flow benefits of its capital investment in traditional printing, largely completed last year, and in newspaper colour presses and ancillary facilities, due to be completed in 1988.

Costs of BPCC's abortive $2bn (£1.2bn) bid for Harcourt Brace Jovanovich were not included in the first half, and Mr Maxwell said he did not intend to mount a new offer for the US publisher which is now grappling with the costs of its poison pill recapitalisation.

The group's tax charge in the first half nearly doubled to 29 per cent from 15 per cent in the same period last year.

See Lex

Halls Homes rises above the £1m mark

With all sales divisions making improvements Halls Homes and Gardens was able to lift its profits from £745,000 to £1.06m pre-tax for the half year to end-June.

Turnover increased by £3.1m to £12.65m with the help of particularly strong performances by the traditional conservatory and national accounts divisions.

Interest charges for the half year were reduced by £82,000 to £135,000 but tax took £307,000 more at £371,000.

Earnings worked through at 6.2p and shareholders are to receive an interim dividend of 1.2p, their first payment since the company came to the USM in December 1986.

The directors pointed out that 342,213 ordinary shares were issued in June and that the £838,000 proceeds were used to repay in full all the outstanding preference shares. The net impact of the transaction produced a small increase in earnings per share.

They added that they intended to investigate suitable acquisitions to complement the continuing sales growth opportunities available within the company's existing markets.

Parkfield rights

The rights issue of Parkfield, the engineering conglomerate which recently transferred from the USM to the main market, was taken up by 93.1 per cent of the shareholders.

Metal Closures advances 53% to £3m at midway

Metal Closures Group, manufacturer of metal and plastic products, yesterday reported a 53 per cent advance from £2.03m to £3.1m in pre-tax profits for the interim period to July 4.

Mr Peter Smith, chairman, said UK operations, with strong order books, generally performed well, with particular emphasis upon the closures and materials handling divisions, both of which reaped benefits from higher volumes and new products. The plastics division had to accept reduced margins due to rising material costs but, he added, the South African operations continued to produce splendid results.

Mr Smith said that present indications for the second half showed that the improvement was being sustained.

Turnover in the period rose from £39.25m to £48.62m; tax took £1.44m (£804,000) and minorities £201,000 (£176,000), leaving attributable profits of £1.47m (£1.05m) for earnings of 5.8p (4.1p) per share.

The interim dividend is increased from an adjusted 1.83p to 2.2p per share.

Wayne Kerr up halfway

Wayne Kerr, USM-quoted electronics group, produced a 7 per cent rise in pre-tax profits to £261,000 and predicted continuing improvement in business outlook.

Mr Alan Dennis, chairman, said the group had made good progress in tackling the problems which faced it the previous year. "Where we have identified new opportunities, we have taken them — investing both in new products and growth of the group."

Both the group's instruments company and Rendar, its components manufacturer, increased sales and profits. Orders for the new automatic test equipment range mean components should make a strong contribution in the second half.

Wayne Kerr Datum reported a £238,000 first half loss but increasing sales of its new CAD range should help it to profit in the second half, he said.

Wayne Kerr in the US had shown good results but the group's German company had faced a difficult market.

Its new acquisition, the Sussex-based Alpha-Repeater, offered valuable new potential in a specialist area.

The interim dividend is maintained at 0.6p.

ROLLS ROYCE has agreed that from September 14 only fully paid share prices will be quoted. The last day for trading in partly paid renounceable letters of allocation will be September 11. The final instalment of 85p is payable not later than 3 pm on Wednesday September 23

Glentree up to £89,000 and plans growth

Glentree, the North London estate agency which has seen its shares rise substantially since it joined the USM last November, yesterday announced interim pre-tax profits of £89,000 (£23,000) on turnover of £387,000 (£261,000).

The group has plans for acquisitions in financial services, and the rise in shares was partly sparked by the recent decision of Mr David Thompson, co-founder of Hillsdown Holdings, to take a 44 per cent stake.

Stanley Leisure

Stanley Leisure Organisation yesterday announced that it has sold its stake in Rex Williams Leisure, the snooker equipment company, to Allied Entertainments. The holding—1.778m shares—has been bought by Allied Entertainments, the private company owned by pop promoter r Harvey Goldsmith and his business partner, Mr Edward Simons.

Stanley Leisure had built up a 16.2 per cent stake in Williams. However, last month Williams arrived at a deal with boxing promoter Frank Warren, under which Mr Warren and a business partner injected about £3m in return for a near-30 per cent stake, and the company raised an additional £2m.

Yesterday Rex Williams' shares closed 6p higher at 98p.

Ward White sells 29% of Stead & Simpson

By Nikki Tait

Ward White, the acquisitive retail conglomerate, yesterday sold a 29 per cent stake in the voting shares of Stead and Simpson, the shoe retailer and motor dealer, to Mr Ron Brierley's Tozer Kemsley and Millbourn.

The 466,238 ordinary shares — representing 29.14 per cent of the voting rights—have been bought by Tozer International Holdings, a TKM subsidiary, for £3.6m cash. That works out at around 772p a share, compared with yesterday's unchanged market price of 845p.

Yesterday, Mr Brierley—the New Zealand-based businessman who chairs TKM and is currently in London—said he had been offered the stake by Ward White and that it was too early to say what his future intentions might be. "Quite frankly, I don't know enough about the company to be sure what our role will be," he commented.

Although the bulk of Stead and Simpson's business is shoe retailing—accounting for 60 per cent of 1986-87 sales and 76 per cent of pre-tax profits—it also takes in a number of motor dealerships in Leicestershire including a main dealership for Mercedes-Benz cars. These contributed £1.2m to last year's £5.5m pre-tax total

"That was the aspect which made me feel it was worthwhile," commented Mr Brierley yesterday. TKM itself is now principally holding company for various motor and motor-related interests. Last month, it lost a £95m bid for Molins, the precision engineering group.

Ward White bought this holding in Stead and Simpson back in 1984 for £1.98m from Hanson Trust—who, in turn, acquired it via the bid for UDS in 1983. The disposals are part of a general rationalisation by Ward White of its footwear interests. Yesterday, Ward White shares closed 3p higher at 404p.

Ptarmigan goes into the red

Ptarmigan Holdings (formerly Squirrel Horn) fell into the red in the first half of 1987 with a pre-tax loss of £93,000 compared with a profit of £75,000, the figures having been adjusted to take account of the June acquisition of G.A. Stadler.

Loss per share was 1.9p (earnings of 1.1p) and there is no dividend.

Cadbury Schweppes tops City hopes with £63.6m

BY DAVID WALLER

Cadbury Schweppes, the confectionery and soft drinks group, yesterday announced interim profits up by nearly a half and ahead of analysts's already optimistic projections.

Pre-tax profits rose by £20.5m to £63.6m in the 24 weeks to June 20, an increase of 47.6 per cent achieved on turnover up by 18.5 per cent to £932.9m. Earnings per share rose at the same rate as profits, from 4.68p to 6.91p.

"The results show the full benefits of the restructuring the company has undergone in the last two years," said Sir Adrian Cadbury, chairman. "They fully endorse management's vigorous action to refocus the group on its core businesses.

"The pace set in the first half will be maintained in the second," he added.

Together, confectionery and beverages accounted for 96 per cent of trading profits of £66.4m (£48.7m). Profits from the confectionery business rose by 56 per cent and accounted for 59 per cent of the total.

The 30 per cent rise in the contribution from soft drinks included a small, undisclosed trading profit from the joint venture with Coca-Cola established in January this year.

Mr Dominic Cadbury, group chief executive, said that the company's share of the UK confectionery market had increased for the third year running. He predicted increased competition in the second half, but said that "chocolate wars" would stimulate sales and be good for business: "Everyone eats more chocolate."

Coca-Cola Schweppes performed ahead of expectations. It was budgetted to make a loss at the trading level, and did indeed make a loss after interest. Mr David Nash, group finance director, said that the company had absorbed one-off structural costs associated with the start-up of £5m above the line and £10-£12m below.

In the US, confectionery business recovered from a loss to make a profit of £200,000; beverages made £5.5m, meaning that the contribution fro mthe US increased sixfold.

Profits in Europe rose by 41 per cent to £10.7m overall and in Australasia and the rest of the world apart from the UK, by a third to £20.3m.

Borrowings fell from £203m to £169m, meaning that gearing was 37 per cent as at June 20, against 29.7 per cent a year before. Interest was £4.1m (£8.7m) and tax was £21.3m (£15.5m).

The interim dividend was raised from 1.8p to 2.1p. Cadbury's shares added 4p yesterday to close at 274p.

See Lex

Osprey soars to £450,000

Osprey Communications, advertising agency, boosted pre-tax profits substantially from £128,794 to £450,889 on turnover which more than doubled from £4.63m to £9.54m in 14 months to May 31 1987.

Last November Osprey was subject to a reverse takeover by another advertising agency, F. John French. Mr John French, chairman, took over as chairman of the new group.

The directors proposed a final dividend of 2p (1.25p), making a total of 2.5p (1.25p) for the year. Earnings per 25p ordinary share moved up from 1.6p to 4.76p.

Mr French said that the new year had started with major new business account gains and additional business from existing clients across the group. Investment would be taking place during the latter part of the current year to upgrade technical resources available to its Chrysalis subsidiary, which would enable it to extend its activities further.

The restructured enlarged group was in a strong position to capitalise on growth opportunities both from existing business activities and by acquisition. Areas for growth by acquisition had been identified and were being investigated.

Mr French reported that all four subsidiaries had made valuable contributions to pre-tax profits. In London, the John French agency made £137,000 and Chrysalis £54,000 in the six months following their acquisition, a total of £191,000 compared with a total of £203,000 made by the two in their previous whole year of accounting which ended in May 1986.

Armstrong Long Advertising in Northern Ireland contributed £197,000 in 14 months compared with £111,000 in the previous 12 months while RMB Advertising and Marketing, despite losing a major client, made £62,000 against £88,000.

Amortisation of goodwill totalled £37,353 (£32,017) and was taken above the line. Tax took £152,991 (£72,995) to leave net profits of £223,928 (£55,839).

Frost up 11% to £1m

Frost Group, the financial services, petrol retailing and sales promotion company, produced an 11 per cent improvement in pre-tax profits to £1.01m for the six months to June 30.

In the last few days a deal had been agreed with a major oil company to introduce blue chip stamps in October.

Turnover fell from £33.63m to £16.9m. After tax of £208,000 (£190,000) and minorities of £1,000 (nil), earnings per share rose from 5.11p to 5.66p. The interim dividend is 3p (2.5p).

Agreed bid for Cheshire

BY PHILIP COGGAN

Cheshire Wholefoods, manufacturer of the Swiss breakfast cereal muesli, is being bought by a Dutch company. Wessenen Nederlander is offering 280p per share in cash in an agreed bid which values the group at £14.2m.

The directors, who own 61 per cent of the equity, have irrevocably agreed to accept the offer. It will make "muesli millionaires" out of the brothers Mr Ian and Mr Philip Thompson, respectively chairman and deputy chairman, who will each net around £4m from the deal.

Cheshire joined the USM in November 1985 via a placing which valued the company at £5.6m. In the year to March 31, it made pre-tax profits of £778,000, producing breakfast cereals which are largely sold under "own labels" by supermarket chains.

Mr Ian Thompson said yesterday that the deal would give Cheshire access to export markets, particularly in the US where Wessanen has a substantial distribution network.

Wessanen's parent company, Royal Wessanen, manufactures a wide range of food products and hopes to use Cheshire as a base to build up its presence in the UK market. Royal Wessanen has an annual turnover of around £1.2bn.

Yesterday Cheshire's shares climbed 18p to 273p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
BP & CC ....int	†6	Jan 5	6	—	14
Cadbury Schweppes int	2.1	Nov 16	1.8	—	6.7
European Home ...int	2	Nov 5	—	—	2.5
Fed Housing ......int	1.7	Nov 2	1.3	—	4
Frost Group ....int	3	Jan 6	2.5	—	5.25
Glentree ....int	†0.31	Oct 1	—	—	0.3
Godwin Warren	‡1.1	—	1.1	—	2.2
Great Southern Grp int	‡2	Nov 2	—	—	3.5
R & H Hall ....int	**1	Sept 17	1	—	4.3
Halls Homes ....int	1.2	Nov 9	—	—	—
Lambert Howarth ...int	2.5	Oct 21	2	—	7
Metal Closures ......int	2.2	Nov 2	1.83*	6.17*	—
Morgan Grenfell ...int	3.85	Oct 28	3.5	—	10.5
Newage Transmsns int	‡1	Oct 16	—	—	1
Orchid	‡‖0.5	Oct 28	—	0.5	—
Osprey Comm	†2	Oct 20	1.25	2.5†	1.25
Pertos ....int	0.3	Oct 15	0.22	—	0.95
Personal Computers ...	‡2.4	Oct 30	—	3.6	—
Portals Holdings ...int	2.9	Dec 31	2.75	—	8.5
Raglan Property Tst ...	0.11	Oct 23	0.1	0.11	0.1
Sharpe Fisher ... int	1	Oct 30	0.75	—	3
Systems Designers int	0.25	Nov 18	0.2	—	0.55
Wayne Kerr ....int	‡0.6	—	0.6	—	1.7
Wickes ....int	0.33	Oct 23	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent afterallowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ US cents throughout. ** Irish pence throughout.

COMPANY NEWS IN BRIEF

A. & P. APPLEDORE (shipyard manager and ship repairer), said yesterday it was in talks which could lead to an offer being made for the company. Appledore made pre-tax profits of £1.03m, down 13 per cent, in 1986.

BOASE Massimi Pollitt (advertising agency) has acquired Specialist Publications, a promotional publishing company, together with its associate Cooper Duff Associates for an initial £2.26m. The final consideration, to include five further payments dependent on after-tax profits for both over five years ending September 30 1991 could reach £5m. Of the initial payment, £1.67 has been paid in cash and the balance in 138,433 new ordinary BMP shares.

ROBINSON BROTHERS (Ryders Green): Turnover £9.62m (£9.73m) and pre-tax profit £361,000 (£322,000) for 26 weeks to June 27 1987. Tax takes £111,000 (£102,000). Trading following a broadly similar pattern to last year and chairman is hopeful that full year may show a modest improvement on 1986.

RAGLAN PROPERTY Trust: Dividend of 0.11p (0.1p) for year to March 31 1987. Net asset value per share 8.1p (7.3p). Turnover was £7.59m (£9.32m) and pre-tax profit £679,000 (464,000). Tax was £361,000 £99,000) leaving earnings per share of 0.28p (0.32p).

HILL SAMUEL Group: FAI Insurances has acquired a further 150,000 ordinary, bringing its stake in the company to 13.39m shares (14.5 per cent).

UK COMPANY NEWS

Amstrad acts to boost its presence in the US

BY DAVID THOMAS

Amstrad, the UK computer and consumer electronics company, is making its first acquisition in the US as part of a big push to increase its presence in the US market.

In a significant change from Amstrad's previously cautious statements about the US, Mr *Alan Sugar*, Amstrad chairman, yesterday disclosed ambitious plans for its US operations.

He said he expected the share of US sales in Amstrad turnover, now standing at about 8 per cent, to increase to about 30 per cent by the end of June 1988. The US would become Amstrad's biggest market in 1988-89.

Amstrad has acquired Vidco, its Texas-based US distributor, in a cash and shares deal worth about $7.5m (£4.5m). Amstrad is paying $2m in cash and is issuing 2.2m new shares, which represents a small fraction of its new share capital.

Mr Sugar said that having been active in the US for more than two years, Amstrad now believed it had learned enough about the US market to boost its operations there considerably.

It had bought Vidco because it wanted to take complete control of its marketing and distribution in the US. In addition, Vidco by itself could not support the inventory levels required to achieve Amstrad's ambitions.

Amstrad would be injecting some of its own managers into Vidco, would be launching a nationwide advertising campaign in the US and would be building up its inventory there.

It would be concentrating on three distribution channels in the US: office equipment *dealers for products such as its* word processors and computer printers; retail outlets for its home computers, including its PC1512 personal computer; and computer dealers for its PC1640.

Amstrad is also seeking to boost its activities on the Continent, where France and Spain are its strongest markets. It owns subsidiaries in France and Italy and will shortly announce the establishment of another Continental subsidiary, though this is not in West Germany.

Mr Sugar said his aim on the Continent was to win the same market share as Amstrad had in the UK.

Blenheim to acquire Online

BY NIKKI TAIT

Blenheim Exhibitions Group, which joined the Unlisted *Securities Market just under* a year ago, yesterday unveiled an agreed deal—worth a maximum of £14m—which it claims will make it the leading conferences and *exhibitions* organiser in Europe. It currently ranks *about* third in *terms of* number of events.

Blenheim is buying Online, which *specialises* in organising business exhibitions and conferences on "high tech" subjects. The initial payment is worth about *£10.7m*, and is being satisfied by the issue of 2m shares in Blenheim to the vendors — principally founder and *chairman*, Mr Richard Elliot-Green, and his wife. The vendors are retaining 1.1m shares, giving them around 10 per cent of the enlarged equity; the remaining shares are being placed at 505p, subject to claw-back by existing shareholders.

A second payment, up to a maximum of *£3.77m*, may be made before end-March 1988, based on pre-tax profit performance in 1987.

Online was founded in 1971, and during 1987 expects to stage about 15 UK conferences, six conference and exhibition events for which it sees further development potential, plus *four established events*. These include "Networks," "Electronic Publishing" and "Computer Graphics" at Wembley, plus "Computers in the City" at the Barbican.

Online's profit record was marred by problems on overseas operations in the mid-eighties, but says these activities have now been terminated. *After a* pre-tax loss of £59,000 in 1985, the company recovered to £260,000 profit in the following year on sales of £3.65m. It has warranted not less than £875,000 before tax in 1987, having already made £666,000 in the first half. Blenheim itself said yesterday that it expects to make £1.42m before tax in the year to end-August 1987, compared with last time's £502,000. The recent PKD acquisition contributed about £423,000.

Online's vendors have personally acquired the troubled US *subsidiaries from the company*, and will repay the £585,000 of outstanding debt from these to Online when the Blenheim deal is completed.

Blenheim has already made a number of acquisitions since coming to the market—including PKD for £4m—and says it is still on the trail. Mr Elliot-Green will continue to run Online post-acquisition, and join the Blenheim board. Blenheim shares yesterday were unchanged at 560p.

Anglo Leasing details

BY RICHARD TOMKINS

Anglo Leasing, the office equipment leasing subsidiary of J. Rothschild, investment company, yesterday published details of the flotation which will bring it to the stock market at a capitalisation of £57.5m.

The flotation will be achieved through an offer of 25 per cent of Anglo's shares to existing holders of shares and warrants in J. Rothschild. It is sponsored by S. G. Warburg, with Kitcat & Aitken as broker.

A total of 8.2m shares will be available at 175p each. Rothschild shareholders will be entitled to one Anglo share for every 40 Rothschild shares or warrants held, but their allocations will be cut back to the extent that Anglo employees make preferential applications for 10 per cent of the shares.

Small shareholders in Rothschild who would be entitled to fewer than 125 Anglo shares will be able to sell them commission-free through Warburg. Ay shares not taken up under the offer arrangements will go to institutional investors, with whom they have been placed.

Windsor to buy Frank Bradford

Windsor Securities, the fast-growing Lloyd's insurance broker, has conditionally agreed to buy Frank Bradford Holdings, a London non-marine, broking group, after announcing at the end of July that they were involved in takeover talks.

The consideration will be made up entirely of $3.93m Windsor shares in Windsor. The shares lost 7p yesterday to close at 119p.

Frank Bradford has about 60 employees, with most of its business in UK non-marine insurance including employers' and public liability cover.

Frank Bradford made pre-tax *profits of £522,000* in the year to December 31 1986, on turnover of £1.9m. It has net assets of £840,003. Windsor said it was also establishing a Windsor group executive share option scheme.

Metsec in talks to acquire Thos. Vale

Metsec, a USM-quoted structural components and systems company, said yesterday it was in advanced negotiations to acquire the **Thomas Vale Group**, a general buildings works company, for £1.81m.

Thomas Vale, which had 1986 pre-tax profits of £258,850 on a turnover of £11.6m, is also involved in specialist sectors of piling, sea defence, sewage and water treatment, shop and office fitting, plant hire and site development.

Metsec said it would finance the deal by a combination of the company's own resources and an issue of ordinary shares to the vendors.

BOARD MEETINGS

TODAY

Interims: Bestwood, Blue Circle *Industries*, *Elys (Wimbledon)*, Gibb and Dandy, Save and Prosper Gold, Sedgwick.

Finals: F. Copson, Andre De Brett, Jebsens Drilling, Second Alliance Trust.

FUTURE DATES

Interims—	
Campari International	Sept 10
Coats Viyella	Sept 16
Corton Beach	Sept 10
Davidson Pearce	Sept 2/
European Ferries	Sept 1/
F & C Pacific Invest. Trust	Sept 24
Falcon Industries	Sept 15

Call made to reject Kent offer for Olives

By Steven Butler

MR NATHU PURI and his private company Melton Medes yesterday launched an appeal to the shareholders of Olives Paper Mills to defeat a proposal recommended by the Olives board that would lead to a takeover of the company by Mr Michael Kent.

Details of what Mr Puri and his advisors, Samuel Montagu, describe as a "clearly superior" proposal by Mr Puri and Melton Medes were sent to shareholders, who are to vote on the Kent proposals at a shareholders meeting next Friday.

The decision to appeal directly to shareholders followed a rejection by the Olives board of the alternative proposal by Mr Puri, who controls 17 per cent of Olives through Melton Medes.

Olives yesterday accused Mr Puri of providing to the board financial information about Melton Medes that was different *from* that sent *to* Olives shareholders yesterday.

Mr Puri yesterday said the financial information was different because Melton Medes had in the past two weeks raised its pre-tax profit estimate from £2.16m to over £2.5m for the year to the end of June 1987.

Mr Puri said he did not sign the confidentiality agreement, which Olives did sign, because Olives did not provide confidential information that he requested, including a copy of the contract with Mr Kent.

e said that some of the information provided to Olives was commercially sensitive and that he would seek a High Court injunction today to prevent release of the information unless Olives agrees to confidentiality.

Wickes profits move up to £4.2m at midway stage

Wickes, the building supplies and DIY retailer which emerged via a *£120m* management buy-out from its US parent in May, lifted profits to £4.2m on turnover of £83.17m in the 26 weeks to August 1 1987 compared with profits of £2.79m on turnover of £66.88m in the half year to July 26, 1986.

In the eight weeks following the buy-out, Wickes reported pre-tax profits of £1.04m on turnover of £26.33m.

The company declared an interim dividend of 0.33p. *Earnings per share calculated on* profits after tax charges of £364,000 in the eight weeks to June 30 amounted to 2.05p or 1.73p on a diluted basis.

Mr Henry Sweetbaum, chairman, said that the company was in line to meet the profits forecast made at the time of the buy-out *of £9m* in the year to January 30 1988.

He said that 1987 had seen contiuued growth and development of all the company's operating subsidiaries.

• comment

Wickes is one of a kind in the DIY retailing field and therein lies much of its strength. Its emphasis on "heavy end" DIY products such as cement, timber, sand, gravel and bricks means 75 per cent of its business is structural DIY with just a quarter decorative, unlike the other big players. With the *acquisition of Builders Mate* last month, there is potential for 200 UK locations. The pilot property and financial services operation looks like going into profit next year. Belgium is showing strong growth and Holland has now broken through into profit. Wickes is a specialist niche in a buoyant sector, with growth prospects of 25 to 30 per cent per annum. Debt is down from the £28m showing at the time of the May management buy-out to £18m now, but while interest charges remain so high, the prospective p/e is a hefty 35 assuming pro-forma pre-tax profits for the year of £5.3m. However, expected profits next year of £10m drop, the prospective *p/e to* 18 shares unchanged at yesterday's 345p.

Royal Bank to buy A T Mays

BY CLAY HARRIS

***Royal Bank of Scotland** is to* pay £9.8m for a majority stake in A. T. Mays Group, Britain's fifth largest travel agent, and will buy full control within five years. *Cash dispensers* are likely to appear in many of Mays' 230 shops, especially in areas where Royal Bank does not yet have branches of its *own*.

Mays will become part of RoyScot Finance, the banking group's hire purchase, leasing and credit card subsidiary. About half of the branches are in England and Wales, where the bank is seeking to increase its penetration in the wake of relaunching its Williams and *Glyn's subsidiary under the* Royal Bank name.

Mr Rob Farley, deputy group chief executive, said the Mays travel shops would be used to sell other products, including insurance, loans and savings plans. The connection would also enhance Mays' foreign *exchange operations.*

The Scottish bank is the second clearer to buy a travel agent, *joining* Midland, which owns Britain's leader, Thomas *Cook*. TSB *recently failed in* an effort to move into the field with a bid for Hogg Robinson, although it will be free in February to try again *for Hogg's* demerged travel business.

Royal Bany initially will buy the 30 per cent stake held by Low & Bonar, the diversified *packaging group*, and a *51 per* cent holding in family-owned J. H. Moffat & Company, which controls another 55.7 per cent.

It will buy the rest of both *companies within five years, at* a price based on a p/e ratio of 12, the same used for the first payment. *Mays, based in* Saltcoats, Ayrshire, achieved operating *profit* of £1.8m on turnover of £224m in the year to last October.

Although the bank will have *voting control over more than* 85 per cent of Mays, the initial price applies only to 58 per cent of the travel company's equity. The total price, which can be taken in cash or Royal Bank shares, is expected to reach about £15m.

Mr Jim Moffat, Mays founder and chairman, will join the RoyScot board.

ALLIED ARAB BANK, 20 per cent-owned by Barclays Bank, reported pre-tax profits of £2.85m (£2.95m) for the half year to June 30. Charged against profits were start-up costs of subsidiary operations. Allied has acquired an estate agency in the West End of London and set up Allied Trust, a consumer finance subsidiary based in the south of England.

Brent Walker takes 27% Trilion slice

By David Waller

SHARES in the troubled USM-quoted television production company Trilion jumped yesterday by 28p to 188p after Brent Walker, the leisure group, disclosed that it had acquired a 27.3 per cent stake for approimately £12m.

It bought the shares from Charterhall, the European investment company of Mr Russell Goward, a former personal assistant to Mr Ron Brierley, the Antipodean entrepreneur.

Brent Walker, currently awaiting shareholder approval of its £5m agreed offer for Goldcrest, the film compnay, said that the share purihase amy or may not lead to a full bid for Trilion.

Mr John Quested, managing director of Brent Walker's film and TV division, said that Trilion welcomed Brent Walker's presence as a major *shareholder "with open* arms."

He added that Brent Walker could offer financial and management support to Trilion, *which lost £996,000* in the first half this year. After these results were announced in May, the chairman and vice-chairman resigned.

Trilion is a leading facilities house and owns Limehouse Studios. Brent Walker used the company's mobile studio when making its series of Gilbert and Sullivan videos, and intends to use its facilities for the greater part of its film business in future.

Brent Walker's shares declined 2p to 373p yesterday; Charterhall gained 3p to close at 62p.

Portals falls by 22% to £8.18m

MR JULIAN SHEFFIELD, chairman of **Portals Holdings** revealed yesterday that group profits for the opening six months of the 1987 year had fallen by virtually 22 per cent at the pre-tax level to £8.18m.

Turnover fell from £114.65m to £93.92m.

A better level of activity was expected in the second half however which should be reflected in the full results.

Meanwhile, as a sign of the directors overall confidence the interim dividend is being stepped up by a little over 5 per cent to 2.9p (2.75p). The group's cash position remains strong.

The first half saw a slow start by both the main divisions—papermaking and water treatment.

In papermaking turnover fell to £20.52m (£31.74m) and trading profits to £3.4m (£5.29m). Reduced levels of demand at Overton Mill resulted in the closure of some papermaking machinery and a reduction 10 per cent in the workforce.

By the middle of the year, however, demand levels had risen substantially and the mill is expected to operate at capacity for the rest of 1987 and into 1988. Recruitment is taking place.

The water treatment division saw its turnover fall to £63.21m (£73.93m) and trading profits to £2m (£3.49m). Performance of the contracting companies had been constrained by continuing delays in the timing of orders for new large schemes in the less developed countries and additionally, sales of both proprietary products and chemicals had started the year slowly.

The second half is expected to show a significant rise in the division's business.

Group tax for the first half took £2.91m (£3.97m) leaving earnings per 25p share of 9.43p (11.76p) basic or 8.76p (10.78p) fully diluted.

Portals said yesterday that IEP Securities, a wholly-owned subsidiary of Industrial Equity (Pacific), was interested in 3.4 per cent of its equity. Industrial Equity and Brierley Investments were also interested in that stake by virtue of the shareholding structure within the Brierley group. Industrial Equity regards the holding as a portfolio investment.

● comment

It is perhaps more surprising that Portals has managed 19 years of unbroken profits growth than that the record seems set to end this year. Both papermaking and water treatment depend heavily on the developing world for custom; it was inevitable that one year, both would be hit by delayed orders. The group's interests in residential property helped limit the downside but the other diversifications will be slow to bear fruit—engineering should be "half a leg" in two to three years and software, which is hardly likely to add to the quality of earnings, will take a similar time to add profits of any substance. So with pre-tax profits of £22.5m expected for the full year, the shares are trading on a prospective p/e of 16.5 less because of the growth potential than because of Mr Brierley's 3.4 per cent stake. But it is hard to believe that the presence of such a well-known international investor will encourage the Bank of England to sell its 28 per cent "anti-takeover" holding.

Sharpe & Fisher up 41% to £1.9m

INCREASED demand for building materials coupled with benefits still coming through from earlier reorganisation were reflected in a 41 per cent jump from £1.32m to £1.86m in pre-tax profits of Sharpe & Fisher for the first six months of 1987.

Sales in the building supplies division were 21 per cent higher than a year ago at £19.15m (£15.78m) while the pre-tax profit surged from £278,000 to £802,000. Turnover of the DIY stores (Sandfords) increased 27 per cent from £12.58m to £15.98m but were below expectations said Mr Roy Stringer, the chairman.

The profit increase, up from £916,000 to £954,000, had been limited by the initial costs of opening the new Hereford store and higher costs in anticipation of the next phase of expansion.

Mr Stringer concluded that sales so far are well ahead of last year and that he expected the progress achieved in the first half to be maintained for the rest of the year.

There was a £51,000 (£127,000) profit on sale of freehold property in the first six months.

Tax charged was £652,000 (£494,000) leaving earnings of 6.1p (4.2p) per 25p ordinary.

The interim dividend is increased from 0.75p to 1p; last year's total payment was 3p.

Great Southern advances

Great Southern Group, a USM-quoted company whose principal activity is the provision of funeral services, has lifted pre-tax profits 35 per cent from £985,000 to £1.33m in the six months to June 30 against a rise of 12 per cent from £6.69m to £7.47m in turnover.

The directors said they regarded the result as a particularly notable achievement in a period which, whilst benefiting from the seasonal bias of the group's normal trading pattern, was affected by an 8 per cent reduction in national mortality.

The group is still looking to expand through acquisitions. So far in 1987 it has completed the acquisition of 10 funeral businesses at a cost of £2m, increasing its branches from 93 to 105. Yesterday it announced a two further purchases at a cost of £450,000.

The company, which came to the market a year ago, has declared an interim dividend of 2p per 10p share.

Fed. Housing at £1.7m

DOUBLED PROFITS before tax have been announced by **Federated Housing,** residential property developer, for the six months ended June 30. The rise is from £850,000 to £1.71m on a turnover which increased from £6.57m to £11.4m.

The directors said the significant increase in turnover was partly due to better weather this year and partly to a change in sales mix towards an up-market segment.

Trading conditions remained strong and sales reservations were significantly up on last year but shortages of adequate labour for certain trades could make the task of achieving the planned increase in turnover this year more difficult.

There was a profit on the sale of undeveloped land of £283,000 (£270,000); tax charged was £605,000 (£310,000) and stated earnings per 5p share were 10.1p (6p).

The interim dividend is raised from 1.3p to 1.7p.

EHP in £3m acquisition of Spanish retail chain

European Home Products, retailer and distributor of Singer sewing machines and electrical appliances, yesterday announced that it had bought Ivarte, the biggest consumer durables chain in Spain, for Ptas 650m (£3.3m) in cash.

It is the third major acquisition EHP has made since it came to the stock market a year ago. In June it acquired Werner, the largest importer of socks and tights in West Germany, and in August it completed the acquisition of Scholl International, the footcare products group.

Ivarte has 88 stores selling television sets, hi-fi, washing machines and refrigerators, and had turnover of £34m in 1986. The purchase price is small because the company has not yet fully recovered from a period of heavy losses. Its net worth is nil and it comes with debts and obligations amounting to £11m.

EHP said the combination of Ivarte's outlets with the group's existing Singer outlets in Spain would give the group a privileged position on the Spanish high street.

The three acquisitions together had established EHP as a substantial European retailer and distributor of top-branded consumer products. It now expected a period of consolidation, and no further acquisitions were planned.

EHP also produced its figures for the six months to June yesterday, showing pre-tax profits up from £1m to £2.4m on turnover up from £56.5m to £66.8m. The pre-tax result was struck after lower net interest charges of £588,000 (£903,000).

An interim dividend of 2p is declared. Tax took more at £707,000 (£255,000) to leave earnings per share ahead at 5p (3.4p).

The company has become the exclusive distributor in Europe for the Coppertone range of suncare products, which is expected to add between £5m and £10m to turnover on a full-year basis.

● comment

EHP is an unusual animal among retailers on the London stock market. As a result of its three recent acquisitions, probably no other company in the sector has such an extensive and diverse retailing and distribution network on the Continent. The share price seems to regard this as a virtue rather than a vice: with Dr Scholl and Werner taking the enlarged group towards £12m this year, the price/earnings multiple of 18 or more at yesterday's 340p is well above those afforded to UK retailers. One justification may be that retailing skills are less well developed in southern Europe than the UK, so EHP should fare well against the competition. But in any case, the premium rests on at least two fundamental grounds. First, the current year's figures are looking at only partial contributions from Scholl and Werner, and almost nothing from Ivarte and Coppertone. Second, the acquisitions have greatly increased the scope for magnifying returns by adding more products on to the existing distribution network at very little additional cost. Next year could see the pre-tax figure nearly doubled, brining the p/e multiple down to a slightly more alluring 14.

Lambert Howarth beats weather

BY ALICE RAWSTHORN

DESPITE DREARY spring weather Lambert Howarth Group, the manufacturer and importer of footwear, mustered a 22 per cent increase in pre-tax profits to £580,000 in the first half of the year.

As Mr Alan Linton, chief executive, put it: "The weather is never good for shoe sales: when the sun shines, retailers complain that they do not have enough summer shoes; when it does not, they say they have too many."

He said the group had succeeded in meeting its sales targets for the first half of the year, but admitted that the *lateness of the spring season* had posed problems. Nevertheless, output increased from Lambert's factories in Burnley and the Rossendale Valley which supply shoes to multiple retailers, chiefly to Marks and Spencer.

The group is continuing its policy of introducing more expensive leather shoes to its ranges. Its Global importing division fared well during the first half, as did the recently formed Arcadia venture, which imports from the Far East. Arcadia is soon to launch Hitz, a new range of sports shoes.

Custom, the recently-acquired luggage manufacturer, made its first contribution for two months. Mr Linton said that the group is "very confident" about its future prospects.

In the six months to June 30 Lambert's turnover rose to £16.6m (£11.9m) and operating profits to £713,000 (£526,000).

The acquisition of Custom and delayed sales cost the group £33,000 in interest (income of £33,000). Taxation deducted £224,000 (£184,000).

Earnings per share rose to 8.1p (6.7p) and the board proposes to pay an interim dividend of 2.5p (2p).

● comment

Year after year the shoe industry grumbles about the summer weather. Yet this year its gripes have been wholly justified. Lambert Howarth's success in sustaining sales growth and maintaining margins in the worst possible weather conditions is an encouraging omen. Its shares, which have doubled so far this year, rose by 15p to 390p yesterday. The strategy of edging upmarket and reducing its reliance on M and S seems sensible. Moreover there is lots of scope for growth at Custom. As the pace of technological change in the shoe industry acelerates Lambert, like its fellow footwear producers, should benefit from improvements in productivity. Until then the prospective p/e of 13, on projected profit of £2.5m, leaves the shares fairly valued.

Orchid meets its forecast

Orchid Technology, a designer, manufacturer and marketer of computer hardware and software products, which obtained a USM quote in April of this year, boosted taxable profits substantially from \$1.78m to \$6.51m (£3.94m) in the year to June 30 1987. Turnover more than doubled, rising from \$11.43m to \$24.99m.

The directors proposed a final dividend of 0.5 cents as indicated at the time of flotation. Earnings per ordinary share increased from 4.8 cents to 14 cents.

Mr Le Nhon Bui, chairman, said that despite an unexpected *industrywide slowdown in the sale of personal computers and enhancement products in the final quarter* Orchid had been able to meet its profits target of \$6.5m. The company had certain products under development which would be released over the current year.

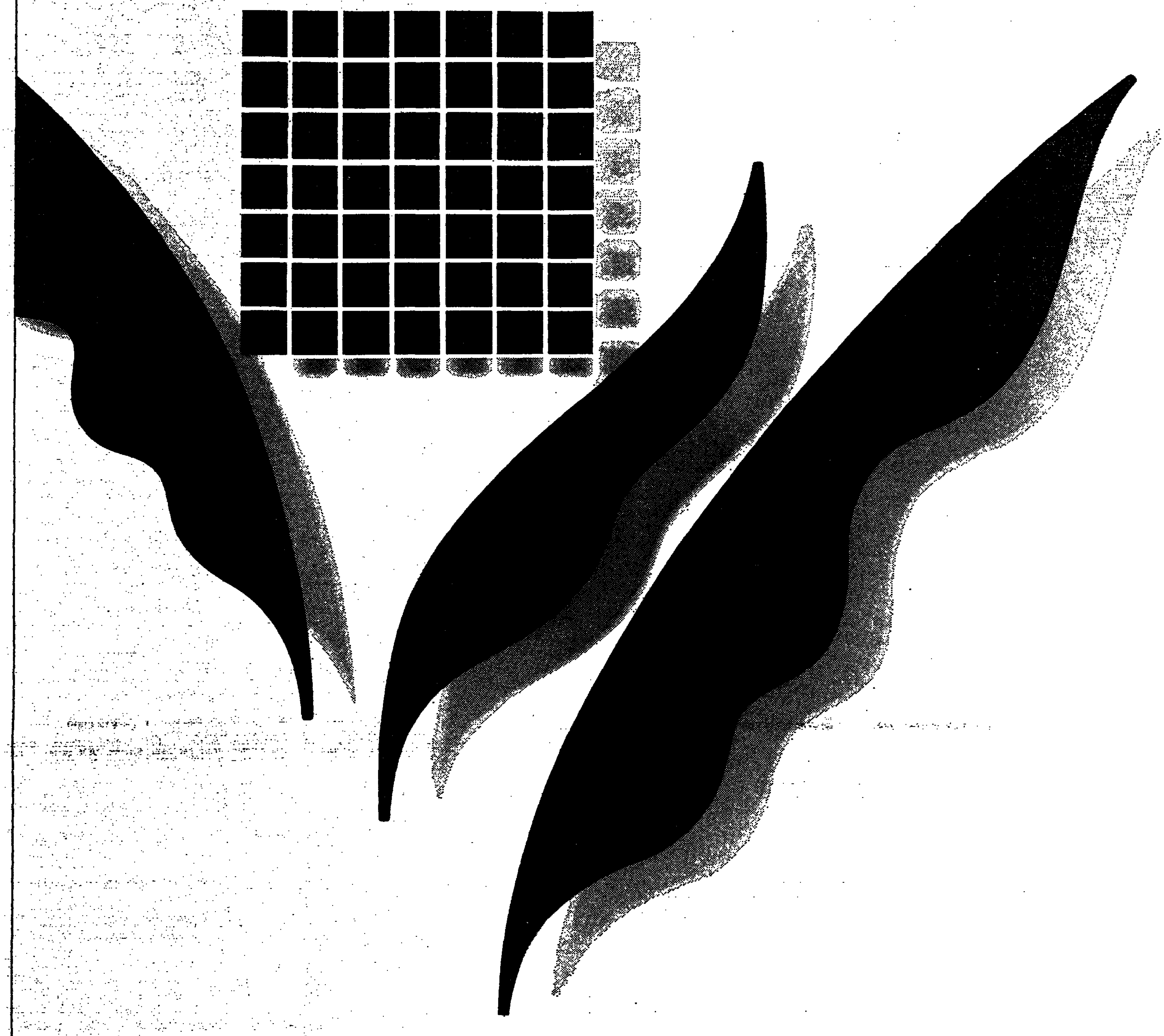
The company made provisions for the tax of \$3.3m compared with \$996,000 last time. This Californian software company's first attempt to come to the market in January was called off when institutions failed to sign up for the shares. It chose the USM because of its desire to expand overseas sales and because of the lower *issuing cost in London.*

Godwin Warren lifts to £183,000

Godwin Warren Control Systems, USM quoted parking systems and equipment manufacturer, produced a pre-tax profit of £183,000 for the six months to June 30, compared with a £452,000 loss last time.

Directors said the figures reflected the continuing improvement in the company's performance which began in the second half of 1986.

Turnover rose from £3.66m to £4.44m and the interim dividend was maintained at 1.1p. After tax of £77,000 (nil) earnings per share were 2.2p (loss 9.8p). There were no *minorities (£5,000).*



Ideas bring growth to finance.

The birth of Ferruzzi Agricola Finanziaria.

In October 1985 Gruppo Ferruzzi set out its plans to create one of the biggest agro-industrial groups in the world, to extend its activities into new sectors and to expand into new continents.
In less than two years Gruppo Ferruzzi has become the largest agro-industrial group in Europe and the third largest in the world.
Furthermore it is the second private-sector industrial conglomerate in Italy with an aggregate turnover of over 18 billion dollars.
The Group's idea to use agricultural products for industrial and energy uses, and its related programme for environmental protection is a focal point of international debate. The driving force behind this extraordinary expansion has been Agricola Finanziaria, the Group's holding company.
Its success on the financial market has allowed it to make large-scale investments such as the acquisition of CPC Europe, leader in the starch sector, the acquisition of a controlling interest in Montedison and Béghin-Say, and the restructuring of the sugar sector which makes the Group Europe's leading sugar producer.
The market capitalization of the Agricola Finanziaria group amounts to about 20 billion dollars.

And now it is time for it to grow even more.
Agricola Finanziaria is increasingly identified with Gruppo Ferruzzi and so Ferruzzi Agricola Finanziaria has been born.
All the activities of the Group will converge in the new holding company so that in due course Ferruzzi Agricola Finanziaria and Gruppo Ferruzzi will form a single entity.
Its theatre of operations is increasingly worldwide.
Ferruzzi Agricola Finanziaria will span five continents.
Its widely diversified activities follow a single vertical structure from agriculture to services, from trading to agro-industry, from chemicals to the advanced services sector and finally to numerous industrial and financial shareholdings.
Ferruzzi Agricola Finanziaria will be quoted on all the main European Stock Exchanges including London and Paris. This will lead to a broad national and international shareholder base in line with the Group's importance.
The cycle is in constant movement: two years ago ideas brought growth to finance. Today

Finance is bringing growth to ideas.

Ferruzzi
Agricola Finanziaria

UK COMPANY NEWS

Morgan Grenfell slips back to £47m

BY DAVID LASCELLES, BANKING EDITOR

Morgan Grenfell, the merchant banking group, reported an 8 per cent decline in interim pre-tax profits yesterday, blaming the fall mainly on the volatility of its earnings from corporate finance work.

But the results were generally better than the City had been expecting, and Morgan's shares ended the day unchanged at 535p.

In the six months to June 30, the group earned £47m, compared with £51.2m in last year's first half, and £31m in the second half. Earnings per share were 20.3p, compared with 28p. The interim dividend is being increased by 10 per cent to 3.85p per share.

Sir Peter Carey, the chairman, said that "comparison of these results with those for the first half of 1986 should be made in the light of the particularly high level of activity in the domestic merger and acquisition market which then prevailed." He said that the results reflected a creditable performance by the group as a whole, with contributions coming from C. J. Lawrence, the Wall Street broking firm, and Phoenix Securities, the London investment bank—both acquired in recent months.

Sir Peter said that the group viewed the future with confidence. In the second half of this year it would realise £42.7m on the sale to the TSB of its shares in Target Group. This compared with a cost of £10.4m.

Mr John Craven, the group's new chief executive, said that the results showed a "much better balance" in Morgan's earnings. Where previously the bulk had come from corporate finance, there was now a more even contribution from asset management, overseas businesses and equity securities.

One disappointing area, he said, was banking and debt securities because of low margins on lending and the weakness of the debt markets. Morgan had had to shed about 12 people from its gilt-edged dealing business in order to cut overheads, but remained strongly committed to it.

David Lascelles on the future for Morgan Grenfell

John Craven's two-pronged approach

MR JOHN CRAVEN has for four months now occupied the hottest seat in British merchant banking as chief executive of Morgan Grenfell. During that time he has had to deal with the continuing fall-out from the Guinness affair, which earned Morgan the epithet "troubled merchant bank," to say nothing of swirling rumours about imminent takeover and the unwelcome attentions of numerous speculators.

And yesterday, he was in the awkward position of having to explain why interim pre-tax profits were down 8 per cent on last year (though the results were better than many had expected). But Mr Craven, who was brought in to lead the group after the previous management was forced to resign, is in a fighting mood.

Most of the Guinness stories are "overdone by the Press," he says. And the speculators are "an irritant" at a time when he has much more important things to think about, not least Morgan's future strategy.

"Guinness occupies me for about two minutes a day," he says.

Mr Craven's aim now is to shake off all suggestions that Morgan cannot stand on its own two feet and transform it into one of the UK's leading investment banks.

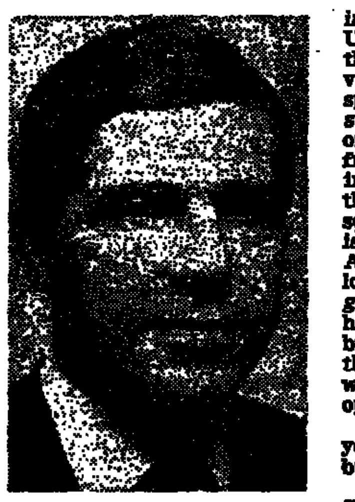
He has already reshaped the top management to put himself in charge of the group's securities side, which he believes is destined to become one of the most important in the new scheme of things, post Big Bang. He has also moved his office from the group's Winchester Street headquarters to its securities building in Finsbury Square. There have been no big defections, he says, (though Morgan lost part of its US team), and while it has lost some big corporate clients, it has also gained some.

A good part of his strategy involves reducing Morgan's dependence on fees from corporate finance activities, once the company's biggest, but most volatile source of earnings. Morgan has 75 professionals in that department, but with merger activity down on last year, and other parts of the group now generating higher profits, its contribution is down from 30-40 per cent last year to about 20 per cent in this year's first half.

Mr Craven sees Morgan growing on two main fronts. One is asset management, where it currently has about £16.5bn under its control. Most of that, including Morgan's lucrative business of managing international funds for US institutions, is based in London. But new growth areas are being studied, including an indigenous US business and a possible entry into the UK retail market. Unlike other merchant banking groups, though, Morgan has no plans to float off the asset management side.

The second front is investment banking.

From his earlier career with Merrill Lynch, S. G. Warburg and most recently managing his own firm, Phoenix Securities, Mr Craven has well-developed ideas about the future course of this business. He believes that the traditional separation of underwriting and broking new issues of securities will disappear quite soon, and be replaced by the US model where all these functions are combined under one roof.



John Craven: Speculators "an irritant."

"The whole practice is going to change and I don't think people here realise it yet. Groups like us are going to have to bear more risk."

The key functions he foresees for Morgan are the origination of new issue business, underwriting and distribution. Of these three, distribution is weakest because Morgan did not match some of its rivals by buying a large stockbroker for Big Bang. But with the recent acquisition of Cyrus J. Lawrence, the Wall Street broking firm, the receipt of a securities licence in Tokyo and the big drive now afoot to build up an equities business in the UK, he believes Morgan is heading in the right direction.

A key question is whether Morgan is big enough to nurse these ambitions, which might involve an acquisition in the UK. Mr Craven stresses that the group is, at the moment, very liquid with capital to spare, though it will need substantial funds in a year or two once his plans come to fruition. But he does not intend to make Morgan "all things to all men." Trading securities all round the world is expensive and unprofitable. Also, he believes it can no longer be justified on the grounds that it impresses and holds clients. It is a commodity business which is best left to the giants of the business which can support huge global operations.

"Without these ambitions, you remove an enormous burden," he says.

Nevertheless, Morgan will find it hard to get rid of the speculators in the coming months. Its link with Guinness will be revived when the results become known of the Department of Trade inquiry into the brewing company's controversial takeover of Distillers, in which Morgan was adviser. Criminal charges are also likely to be brought against various protagonists. Mr Craven says Morgan is co-operating with the prosecutors, though he wants to ensure that Morgan employees are "not grilled in a police station but questioned in their solicitors' office."

Morgan's shares also continue to be buoyed more by takeover hopes than the market's perception of any underlying improvement in its performance, though its biggest shareholders (Willis Faber with just over 20 per cent and Deutsche Bank with just under five per cent) remain loyal, Mr Craven says.

Organic growth lifts Pentos 66% to £1.38m

ORGANIC GROWTH lifted pre-tax profits at Pentos, the publishing, retailing and property company which acquired Ryman Group in July, by 66 per cent to £1.38m halfway.

Turnover for the six months to June 30 rose from £24.71m to £33.74m. Earnings per ordinary share jumped 32 per cent from 1.36p to 1.8p, with fully diluted earnings at 1.46p (1.09p). The interim dividend is 0.3p (0.22p).

Most of the company's profits were made in the second half, due to the seasonality of the retailing and publishing business, said the directors. They expected another material improvement in profits for the full year.

Retailing and publishing profits rose from £462,000 to £673,000, office furniture to £892,000 (£705,000), and property and construction to £364,000 (£173,000).

Interest payments fell from £379,000 to £356,000.

● comment

Shares in Pentos have outperformed the market by 60 per cent in the last year, reflecting chairman and chief executive Mr Terry Maher's newfound credibility in the City after the bleak period of 1978-85. The company has successfully applied modern retailing techniques to the musty old bookselling industry—witness the 63 per cent increase in sales at the recently refurbished flagship bookstore in Gower Street at the half-year stage. Further, its Athena Galleries occupy a unique market niche, selling a winning range of high-margin gifts, cards, posters and frames. Underpinned by the booming office equipment subsidiary and the property business, growth in the short to medium term will come as Pentos refits its Dillons chain and opens more Athena stores in the UK and the US. It will also benefit from cost-savings at the recently acquired Rymans. After £5m profits last year, Pentos should make £7.5m this year, and £12m next year. An enviable rate of growth, but largely in the price. At 172p, the shares are on prospective multiples of 24½ and 19 for 1987 and '88 respectively.

SD profits ease down to £3.2m at halfway stage

Systems Designers, computer consultancy, reported pre-tax profits down from £3.33m at £3.19m on turnover up from £29.23m to £34.47m in the six months to June 30 1987. However, at the operating level profits rose from £3.57m to £3.83m.

Mr Philip Swinstead, chairman, said that the continuing improvement in profitability was most encouraging, as was the increasing order book. He remained confident in SD's long-term strategy and ongoing growth and profitability.

The board declared a 25 per cent rise in the interim dividend to 0.25p. After tax of £1.06m (£955,000), earnings per share fell from 2.06p to 1.84p.

Profits and turnover by division were: SD Europe, £1.43m (£1.78m) on £22.21m (£20.82m); and SD USA, £1.75m (£1.55m) on £12.26m (8.41m).

Mr Swinstead said that the European business had had a much better six months with orders taken in the period up 50 per cent on the comparable period in 1986. Following appropriate management action, the defence business had broken even and the level of orders gave grounds for confidence. The industrial, finance and communications businesses had all had a good period. The software technology division continued to develop its XD-Ada product on time and cost and to plan its launch.

The performance of the company's US activities was particularly strong in the period, with the recent acquisition of SD Financial meeting its profits target.

SD's product development programme continued through the period, although as expected this had been at a lower level of cost than last year.

● comment

Two dawn raids by British Aerospace earlier this year led to a quarter of System Designers' shares passing into the engineering major's hands. And while these interim figures show a marked improvement over 1986s second half, some £700,000 of the rise is due to the combined effect of a pension surplus (expected to be £800,000 this year) plus two bought-in software products. The European scientific and defence business remains a problem. The pricing of Ministry of Defence orders provides little cushion for high costs or a 70 per cent gearing. The new finance director will certainly squeeze working capital and overheads—but it will probably be 1988 before any noticeable improvement is made. The shares, at 89p, are 11p down on BAe's buying price but are still on a p/e of 25 if £6.5m is achieved. As any further hiccups will probably force BAe's hand, SD could be worth a gamble on this rather than the short-term earnings outlook.

Newage rises sharply to £1.2m at half way

Newage Transmissions, the designer and manufacturer of gearboxes and transmissions which came to the USM a year ago, has produced a 50 per cent increase in pre-tax profits, from £786,000 to £1.18m, in the six months to June 30.

The directors said the year got away to a slow start as the company's construction vehicle customers reduced stocks in a period of weak demand but by the second quarter orders had improved significantly.

The said demand was particularly high for construction vehicle components and marine gearboxes. Another year of progress was anticipated.

The forward order position was currently in excess of 20 per cent up on the corresponding period, arising from a combination of increased market demand and the impact of newer products.

Cash flow generated, together with benefits resulting from ongoing control of working capital and resolution of an outstanding major retention of title claim, enabled the company to clear its bank borrowing.

Turnover for the period was down from £6.03m to £5.7m but the operating profit was up from £954,000 to £1.22m. Net profits were £752,000 (£426,000) after tax of £429,000 (£360,000) and earnings per 5p share were 6.4p (4.3p).

The interim dividend is 1p.

Personal Computers 64% ahead

Personal Computers, which sells personal computers to business users and provides a support service, achieved a 64 per cent growth in pre-tax profits in the year to end-May.

Turnover for the company, which was floated on the USM last year, more than doubled to £19.95m (£9.19m) and the pre-tax result moved ahead to £1.17m (£710,000).

The directors are proposing to pay a final dividend of 2.4p, which brings the total for the year to 3.6p. Earnings came out at 14.9p (9.8p) per 5p share after tax of £428,000 (£278,000).

Property Trust cuts losses and calls for cash

Property Trust, property investor and developer, yesterday announced a sharp reduction in its losses for the 1986-87 year and a £3.7m rights issue before expenses, part of which will be used to fund the acquisition of development property in St John's Wood, London.

The property comprises a site of some 0.29 acres with planning permission for 21 flats, two town houses, a car park and swimming pools.

Consideration of £6m will be satisfied as to £2m cash and £4m via the issue of 160m new ordinary shares, of which 40m will be placed with institutional and other investors to raise £1m.

The underwritten rights issue, the USM company's third cash call in just over a year, will be of 151,092,088 new ordinary at 2½p on a one-for-three basis. £2m will provide the cash element of the acquisition and the balance will go towards the costs of developing the property and as additional working capital.

Property Trust's pre-tax losses for the year to end-March 1987 were cut from £5.04m to £906,000. Loss per 1p share amounted to 0.3p (6.3p).

CONTRACTS

Computers to design Airbus

COMPUTERVISION, Basingstoke, has won an $8.2m (£5m) order from the aircraft division of Aerospatiale, France, to supply integrated CAD/CAM systems, including more than 130 CADDStation systems, for use in the development of the new A330/A340 version of the European Airbus civil aircraft.

Computervision will supply CADDS 4X application software for mechanical design including multi-axis NC parts programming and simulation, plus a range of engineering workstations, more than half of which will be CADDStation 32C standalone versions and 32S CADDServers, linked on-site using Ethernet.

In addition, the company will supply a range of database and graphics management tools which will enable Aerospatiale to create a centralised product database management system. The CADDStation-based CAD/CAM systems will be networked to hardware from other suppliers including IBM, DEC and CDC.

Computervision's support of both national and international standards such as UNIX, Ethernet, and TCP/IP, was an important factor in Aerospatiale's decision. Computervision supports SET (Standard d'Exchange et de Transfert), the European graphic exchange standard designed by Aerospatiale, who will use it to exchange graphics information with partners and sub-contractors.

First shipments of the CADDStation systems to Aerospatiale sites at Toulous, Nantes, St-Nazaire and Meaulte will begin immediately, to meet the needs of the Airbus development programme. The bulk of the order will be delivered during the next 18 months.

★

C. F. TAYLOR (HURN), a member of EIS Group's aircraft engineering division, has an order from Boeing for parts of the AWACS (Airborne Early Warning Systems) aircraft wing structure. The order, worth about $2m (£1.2m) is for the fillet flaps for the next 20 AWACS aircraft, with options for a further four sets. Deliveries will be completed by 1990. The group subsidiary C. F. Taylor (Metalworkers) has received aircraft galley orders during the past month worth about £1.5m. They represent commitments from customers such as Cathay Pacific for their sixth B747-300, and from International Lease Finance Corporation for a B767-200 scheduled for lease to Air New Zealand. The company was also elected by Lufthansa to design and manufacture some of the galleys for six new B747-400's.

★

JOHNSON MATTHEY materials technology division, Harlow, has won an order worth £30,000 to supply resistance welding wheels and electrodes to Ideal of Cairo, Egypt. The products will be used in the manufacture of metal office furniture such as desks and filing cabinets.

★

Lloyds Bank Group has placed an order worth $1.5m (£918,000) for a 33-position trade financial dealing system, supplied by MICROGNOSIS INTERNATIONAL. The system, which is due to go live on January 4 1988 will be at Lloyd's Bank's main treasury dealing room in Faryners House, City of London. The new system will be used by the Bank's short term securities team, futures broking team, futures and options dealers, treasury management team and swaps team.

★

GEO. ROBSON & CO. (CONVEYORS) has won a £500,000 contract to supply two twin conveyor systems for a multi-million pound redevelopment by British Rail at Liverpool Street Station. Post Office operations are being moved to a different part of the station, and the Robson systems will be housed in a new network of underground tunnels to convey mail between the Post Office railway and the British Rail terminal.

★

SENIOR ENGINEERING GROUP has won contracts with a total value of more than £16m. The thermal division has secured business worth over £4m for utility economisers, moisture separator, reheaters, fired and waste heat boilers for delivery in the US, Italy, Russia, Korea and Holland. These products will be used in utility power stations and desalinisation and marine applications. On the air handling side, Senior's subsidiary Hargreaves & Sons, has orders for 1987 totalling over £11.9m including work for the Financial Times new printing works, Kelloggs at Trafford Park in Manchester, the Ministry of Defence in Whitehall, BNFL at Sellafield and Glaxo. Penn Machine, a light engineering subsidiary in the US, has received a $1m order for wheels for the Los Angeles County Transportation Commission.

★

Two period gas contracts with a total value of about £5.6m have been awarded to BIGGS WALL & CO. The first, a two-year contract worth £1m per year, has been awarded by British Gas, North Thames, for work in the Southend district. The second is a three-year contract, with a value of £1.2m per year, awarded by British Gas, South Eastern, and is for work in Croydon. Both contracts include the laying and repair of distribution mains and services and associated work.

★

SQUARE D electronics division is working to provide what the company says will be the world's most advanced control system at Didcot power station. The system is part of a major refurbishment and improvement package being carried out at the coal fired station by the Central Electricity Generating Board. Square D's involvement is a contract worth nearly £750,000 to develop and provide a SY/MAX programmable controller equipment. The contract also covers development and provision of a SY/MAX stepper motor control module to the CEGB's specification.

★

A tea mof consultants has won a £250,000 contract to research the physical properties of the eastern coastline of the UK. The contract, awarded by Anglian Water, is for the largest and most complex coastal study ever undertaken in the UK. The results will be collated along with existing information into a central database. This will be a major tool in the planning of Anglian Water's £250m coastal defence maintenance programme. Members of the consortium led by SIR WILLIAM HALCROW AND PARTNERS, include Hydraulic Research, Geosea Consulting Services, and British Maritime Technology.

★

MATTHEW HALL ENGINEERING (MANCHESTER) has been awarded a contract worth about £70,000, to provide engineering and design services associated with the rationalisation of the Tranmere terminal.

MANAGEMENT

Retailing strategy

Why budgies fell foul of Boots' bottom line

Christopher Parkes explains the UK group's changing product mix

WHATEVER IT does for budgies, Trill has not been doing much for Boots. Accordingly, it has been bounced.

Even though Britain's leading High Street chemist sells some £20m-worth of petfood a year, and 15 per cent of its customers expect to find it on display, the shelves will next month be cleared of dog food, cat food and bird seed.

"We had evaluated petfood twice in the past, and it was felt to be profitable enough," says Keith Ackroyd, managing director of the Boots retail division. The information to hand suggested it was yielding gross profits of about £400,000 a year.

Not so, the company's infant direct product profitability (DPP) programme said. DPP involves precise assessment of all the costs incurred in storing, promoting and handling the heavy, bulky cans, and checks on the speed at which they move off the shelves; and further investigation revealed that these products were losing £200,000 a year.

Boots is progressively applying its home-grown DPP techniques across its full range of some 50,000 lines. With the help of information supplied from its growing network of electronic point of sale (Epos) equipment, it should soon be able to assess precisely the bottom-line worth of its entire offering.

Epos systems are installed in fewer than 40 of its 1,000 stores, yet Boots the Chemist seems to be making them work harder and more effectively than most other retailers. The main reason is that it knew what it wanted of the system before it installed it.

Ackroyd has been tracking the potential of electronic aids since 1976, when the group installed an experimental checkout in a Sheffield store. It was not cost-effective, partly because no products were barcoded, and the hardware was too expensive.

While waiting for coding to become the norm and hardware prices to fall, the company laid plans for turning its information systems on their head the better to exploit Epos when it arrived. "Previous systems were all based on supplies from the warehouse to shop," Ackroyd recalls. "We did not know what was sold out of the stores."

The preparation allowed the group to start getting the best out of Epos as soon as it was installed. The result is a sales-driven system which should show increasing benefits.

For example, it eliminates virtually all the guesswork from development at the front end of the business. The success of a new line, a new display or even a new store layout can now be assessed within six months from analysis of the sales data gleaned from Epos. The trial period could be even shorter were it not for the seasonal nature of the Boots business, which means that all experiments have to include the Christmas peak.

"In the past experiments used to drift in, and drift on..." Ackroyd explains. No more. A test run for new-style baby departments in five stores was promptly assessed, and equally briskly expanded into a national plan which will increase the space devoted to baby products by 30 per cent over two years.

As well as petfood, gardening equipment and some workaday household products are being removed from the stores to make way for more profitable goods. Men's fashion accessories, of all things, have shown up well, when placed next to the aftershave.

Food sales have been given a sales and profits boost by the simple if alarming measure of reducing the number of lines on offer by more than 30 per cent. The best sellers - all with healthy connotations - have been given a better show in the same space, and Boots is looking for ways of stepping up its involvement in food.

Ackroyd checks himself as the list of benefits lengthens. "We are not yet using sales information to run the whole business," he says. "The real benefits are ahead of us."

The message is aimed at the City. The Boots group has been stalked and touted as a potential takeover-and-break-up target for some time. The current picketing of the Storehouse clothing and household goods group and break-up rumours about Dee Corporation, the fast expanding retailing group, have set the warning lights flashing again.

Thus Boots is unusually keen to air its new strategies. The aim is to demonstrate that the time when an ossified management did little more than tinker with its business while High Street competitors charged ahead is well in the past.

The shake-out started when Robert Gunn took over as chairman just over two years ago. Epos is only part of the story, but it is of special interest because it helps demonstrate how the management focus of the retailing business has shifted since then from the Nottingham headquarters to the shop checkout.

Time was when all stocking, pricing, display and strategy decisions were taken at headquarters on a national basis without any thought for local competition, tastes, spending power or climate. The corps of shop managers did as it was told.

Now all aspects of merchandising are filtered back and forth through a management system in which, Ackroyd says, the local shop manager has the greatest influence. For example, the front-line operators contribute singly and jointly to the process by which all products are placed in price bands. These allow the necessary flexibility to attack or match local competition. Although his leeway is limited, the local manager also has some power to set his own prices.

Central control, says Ackroyd, had produced flat results. The group was not competing well. Part of the reason was that Boots did not know what it was competing against. There was no single chain or type of shop against which Boots competed directly.

Pharmacy departments were up against chemists, perfumery against department stores and personal care against the likes of Superdrug and supermarkets.

Keith Ackroyd: central control had produced flat results; now branch managers have flexibility

The answer was the breakdown of the monolithic retail operation into eight "business centres" comprising: healthcare and pharmacy, which accounts for 26 per cent of annual sales; home (6 per cent); leisure (13 per cent); sound and vision (12 per cent); food (4 per cent); baby (8 per cent); personal care (16 per cent); and beauty (15 per cent). A ninth "centre" for the control of free-standing and in-store optician's shops is run separately.

Epos eliminates virtually all guesswork from development at the front end of the business. The success of a new line, a new display or even a new store layout can now be assessed within six months

Each has a central business manager, accountable to a main board director centre, and responsible for ensuring that each centre's competitors are addressed head on.

This involves buying, marketing, promoting and stock control of all products in each centre - plus the task of selling their lines and their ideas directly to store managers.

The old notion of regional management has also been scrapped to help Boots extend the principle of accountability down through the chain, and make the most of the new systems.

The 220 larger stores with the space properly to accommodate all eight business centres have their own management structure. They have been split into 10 groups. Each group has between 20 and 26 stores controlled by an area manager. The 800 smaller shops, which will probably be the last to benefit from the installation of costly Epos, need more direct help.

Six area managers are responsible for 10 district managers each. The district managers in turn monitor between 12 and 14 stores apiece. The idea is that should a local shop run into difficulties with the local competition, the manager has a clear link with the centre through the new management structure.

The transparency of the new set-up allows Nottingham an unimpaired view of every corner of the empire, which will allow it to pinpoint any trouble spots relatively quickly, be they national patterns, regional quirks of taste or a spot of bother with a shampoo discounter in Southend-on-Sea.

Again, Boots has moved with uncharacteristic speed. A retailing system which has been barely changed for almost 70 years has been turned on its head in less than two. Most of the reorganisation has taken place in the last few months.

Now the basics are in place. To some puzzlement in the City and local communities, the group has tested and rejected several new formulas trying to squeeze the best from its outlets. The notion of "neighbourhood stores," for example, offering phone boxes, newspapers and assorted odds and ends, has been tried and dropped.

Boots has settled on the specialist department store approach for its largest outlets - the ones most likely to grow in numbers in new retailing developments - and designated the balance as health and beauty outlets, trading mainly on Boots's traditional strengths in pharmacy, cosmetics and personal care products.

Within this format, with electronics and a revitalised management structure on its side, it has the means to run controlled experiments effectively. It can assess and either implement or scrap them at speed. The idea of fashion accessory departments, for example, first floated in November last year, was agreed in January, and became a reality in a dozen stores by April. They are expected soon to spread throughout the chain.

Outside the Boots the Chemist chain proper, the group recently opened its first free-standing photographic store in Epsom, and it is being monitored closely to see if it has the potential for an independent life in the style of the highly successful chain of Boots opticians.

The Children's World concept, on trial in Cricklewood, north London, and Leicester since the first opening in Dudley, West Midlands, last February, was reviewed recently, and judged enough of a success to add an extra store to this autumn's schedule of openings.

There will certainly be more experiments. Ackroyd is keen to investigate the possibilities of healthy convenience foods as opposed to health foods proper, sold under the Boots banner. To match the success of Marks and Spencer in this high-margin business - "but without the double cream" - could open up new horizons for the company.

But that is for the future. The chain has, after all, had Epos at its fingertips for only nine months. Management restructuring - which involved considerable moving of homes and offices between Nottingham and London - started only a year ago. Refurbishment of the stores is almost complete, and a new daily distribution network based on 20 small warehouses known as "common stock rooms" scattered around the country is also contributing its own efficiencies.

"The signs are good," murmurs the modest Ackroyd.

"Boots has done so many things wrong in the past that anything would be an improvement," offers one uncharitable City critic.

Fair or unfair, that the conservative Boots the Chemist should make any radical changes is noteworthy. That it should move with such assurance and speed on so many fronts simultaneously is little short of amazing.

Management abstracts

Pay without frontiers. *M Lawton & B Curnow in Manpower Policy and Practice (UK), Spring 87 (3 pages)*

Distinguishes between four types of international labour market: (a) the international labour market, as such, not really in evidence in business but typified, for instance, by Gary Lineker in club football, ie personifying a rarity value of outstanding performance; (b) the internationalised labour market, where skills attract a premium above previously-accepted local going rates (eg Big Bang); (c) parallel labour markets - importing people into local markets; (d) protected markets, such as the EEC. Discusses coroporate policies in terms of remuneration levels and practice.

Discipline with a clear sense of purpose. *J. Seltzer in Management Solutions (US), Feb 87 (5½ pages)*

The sense of purpose means understanding that the goals of discipline differ according to the type of employee. Identifies four categories: the unintentional rule-breaker; the person who violates rules when treatment is thought to be unfair; the one who errs whenever possible; and the employee with a problem.

Self-rating in management training. *J McEnery & J M McEnery in Journal of Occupational Psychology (UK), Mar 87 (11½ pages)*

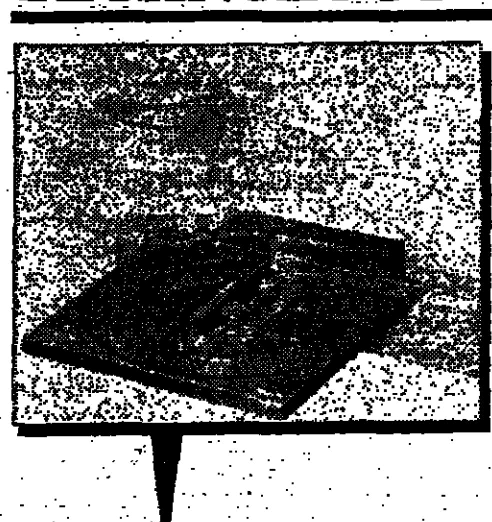
Asks whether an individual or his/her supervisor has a clearer picture of the individual's training needs; describes the results of a statistical survey, based on many job dimensions such as the need to achieve results within budget, that addresses this question; concludes that it may be best to pool both parties' judgments.

Exit interviews. *D A Drost & others in Personnel Administrator (US), Feb 87 (6 pages)*

Considers that exit interviews should not just be used to discover why an employee is leaving but also to learn things to help improve the overall employment condition. Presents results of a study of 15 companies' exit-interview practices to see, for instance, who conducts the interview and what data is collected (a table lists questionnaire contents, and shows a wide variation from company to company); proposes seven steps to better interviews.

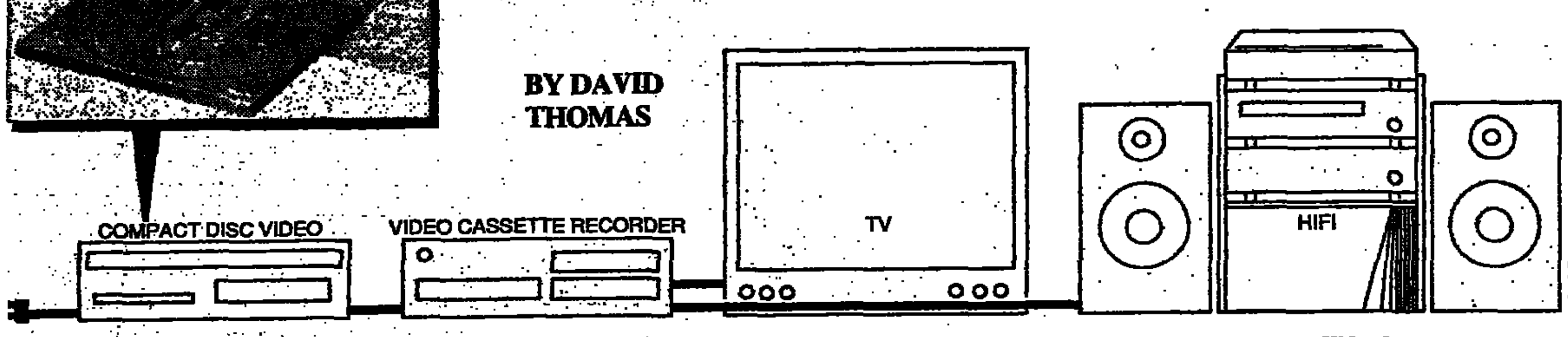
These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY



Philips' all-singing all-dancing revolution

BY DAVID THOMAS



PHILIPS, the Dutch consumer electronics giant, has come up with a novel home entertainment system to add to the growing pile already to be found in many people's homes.

CD-video, which combines the digital sound of compact disc with high quality video on a single disc, was unveiled on the Continent last week at the Berlin consumer electronics fair and in the UK on Wednesday night at a jamboree graced by famous names from the pop world.

Philips believes the system, which it invented, could boost the income not just of the music business and hardware manufacturers, but also of film and television companies. CD-video is a new technology - or, more strictly, a combination of existing technologies - which could drive the integration of audio and video in the home, a trend to the fore in many of the exhibits at Berlin.

The first CD-video player on the market will cost about £500. It has to be linked into a hi-fi system for the sound to pass through the amplifier and speakers and to a television for the video output.

It will be able to play the three sizes of CD-video discs: a 5-inch disc, probably costing about £4.99, which will allow five minutes of sound-and-video plus 20 minutes of sound only; an 8-inch disc, probably costing about £10, with 20 minutes of sound-and-video on each side; and a 12-inch disc, costing more than £15, with an hour of sound-and-video on each side. In addition it will be able to play existing sound-only compact discs.

Philips has packed both sound and vision onto the same disc by recording video and audio signals in the same pattern of "pits." The frequency of the pits conveys the video information, while the audio information is superimposed on the video signal by means of pulse-width modulation.

A single laser beam reads the combined signal on the disc. After decoding, the sound signal is fed to the audio amplifier and the video signal to a television receiver or monitor.

The 5-inch disc's combination of sound-and-video and pure sound is due to CD-video needing a higher number of rotations per minute than simple compact disc. Philips could have chosen to devote the whole of the 5-inch disc to CD-video, but it would have extended the 5 minutes of sound-plus-video by only a couple of minutes.

It was noticeable in Berlin that Philips was almost alone in pushing CD-video hard

Philips believes the 5-inch disc will be an ideal format for music companies to start marketing the pop videos made to promote singles. Machines capable of playing only the 5-inch disc, including portables, will probably be launched next year: these will be considerably cheaper than the initial players which can take all sizes of disc.

Others are not so sure about the 5-inch size. They doubt whether this hybrid type of disc will catch on. As one music industry executive asked recently: "What are people supposed to do when the 20 minutes of pure audio is playing - look at a blank screen or wander round the room?"

The relatively high initial price of CD-video players also raises questions about the 5-inch disc, which will probably be the first size to be marketed in a big way. Few teenagers, typical singles buyers, will be able to afford them. Jos Coppen, Philips' marketing manager for CD-video worldwide, has an answer: "They will initially persuade their parents to buy the system."

Philips believes the 8-inch and 12-inch discs will be excellent vehicles for television programmes such as documentaries, feature-length films and classical music accompanied by top class video. "They will appeal to the home entertainment freak - that's maybe not the right word - someone who wants top quality music and pictures," says Peter Blom, Philips' marketing manager for CD-video in the UK.

Philips believes that consumers will be more ready to buy films on CD-video disc than on video-tapes. Geoff Kempin, in charge of music video at PolyGram, Philips' music subsidiary, says: "A disc is a far more collectable package to hold and to store. There's always been an aesthetic advantage of disc over tape." Yet observers of the industry have three big doubts about the new system:

● Consumer resistance. Consumers may become confused by the choice of audio systems now on offer. Europe is likely to be faced with two significant new systems next year - digital audio tape as well as CD-video - while compact disc players themselves are still to be found in only a minority of European homes.

It was noticeable in Berlin that Philips was almost alone in pushing CD-video hard. Several companies showed the system, including Sony, Panasonic, Pioneer and Grundig. But only Pioneer, which began selling the players in the US this summer, joined Philips in announcing a specific launch date: Pioneer will sell the machines in West Germany next month.

● Software shortage. Some observers believe CD-video's take-off will be hampered initially by a lack of titles available on the new medium. Some independent music companies have announced firm plans to use CD-video, but other major producers seem to be holding back.

Roel Kruize, worldwide marketing director for EMI music, said recently: "We may give some of our titles for CD-video, but whether we will start manufacturing ourselves immediately, is in question. It will depend on the market."

A ghost haunting the new system is the failure of videodisc to catch on in Europe

Even Pioneer, the hardware manufacturer which is at present second only to Philips in its commitment to CD-video, has its doubts. It says it will announce a launch date for France and the UK when the software side warrants it.

Jos Coppen at Philips says these anxieties do not bother him. He believes that all the major music and hardware manufacturers will launch into CD-video by early next year. Certainly, PolyGram is planning a steady roll-out of CD-video titles.

● Videodisc failure. The ghost haunting CD-video is the failure of videodiscs - a previous attempt to combine sound and vision on a disc - to catch on in Europe, though it was a success in Japan. Existing videodiscs, which lack digital sound, can be played on the new CD-video machines, though not vice versa.

Rupert Hardy, a specialist on the Japanese consumer electronics industry at Vickers da Costa, the stockbroker, says CD-video has a better chance of catching on in Japan because of the Japanese acceptance of videodiscs.

However, some analysts believe the reasons behind the failure of videodiscs in the past no longer apply. BIS Mackintosh, the UK-based market research consultancy, argues that they were launched at a time when video recorders were being actively promoted; with videos now more established, the competition between the two media will not be so intense.

It will be some time before the success of CD-video can be judged, since the main marketing push behind the new format will not start until early next year. Philips is hoping for sales of 1m CD-video players in the UK by 1990.

In one sense, Philips will have plenty of excuses even if CD-video flops. Music industry observers regard the launch of CD-video as a little premature: it would have been better to hold back this extension of compact disc technology until compact discs themselves were better established. So no one will be terribly surprised if CD-video struggles to take off.

But, more to the point, a failure by CD-video will damage the industry's confidence in its ability to judge the mood of its customers as it casts around for the eventual successor to compact discs.

Long-life food: It's in the bag

A CANADIAN process called Aseptic Food Processing System (AFPS) allows many kinds of fresh food to be sterilised and bagged in a few minutes with a subsequent shelf life of two years and, it is claimed, no loss of flavour. AFPS is to be introduced into Europe by Kiga Industries of Scarborough, Ontario.

The process is described as 'a radical advance' on HTST (high temperature, short time) technology currently used for long-life milk and fruit juices. It allows fairly small (up to about 40mm) pieces of meat, fish, fruit, and vegetables to be packed in bags, stored at room temperatures and eaten two years later virtually as fresh produce.

The process takes about 10 minutes in a £2.5m plant. The capital outlay is claimed to be about 75 per cent of that for freezing and 50 per cent of can retorting plants. Processing costs are put at 25 per cent or less of canning costs.

Superheated steam is blown upwards through the food pieces in a pressurised system, quickly raising them to temperatures that kill bacteria. The pieces are returned to ambient temperatures as quickly as possible using a spray of liquid nitrogen (so that the cooking effect is minimised) and then bagged. The problem of ensuring adequate heat penetration to the centre of the pieces has been overcome by making them ride and tumble on a cushion of steam.

Enquiries about the system are being handled by Nutrex International of Warminster, the UK food brokers and consultants.

Pocket dictator shows versatility

PHILIPS, THE Dutch electronics group, which expects to sell its two millionth piece of office dictation equipment in September, has introduced its most sophisticated pocket unit to date, the LFH 0896 Director.

The machine's weight is only half that of the original mini-cassette unit introduced in 1966 and, with dimensions of 125mm x 53mm x 25mm, it occupies only a little more than half the volume.

Taking 15 or 30 minute cassettes, the unit has a small 'brain' in the form of a integrated circuit chip which controls many of the functions. These include a visual indexing system which enables the endings of dictated material and instructions to be marked and recorded on the cassette, thus facilitating transcription by a secretary.

The Director offers two recording modes, one for close up personal use and another with high recording amplification that allows a conference to be recorded. The recommended retail price is £235.

Tanks fire salvo for optical fibre

NORTHERN ENGINEERING Industries of Newcastle upon Tyne in the UK has successfully developed a new way of firing tank guns that does away with percussion systems and uses a laser and optical fibre.

Developed for Britain's Royal Armament Research and Development Establishment, the system is a rare example of the transmission of high energy down fibres, which are mostly used for communications purposes.

The laser energy is piped directly into the breech of the gun through a pressure window. The technique has several advantages over existing methods, including a simpler design of breech, higher gun pressures and higher rates of fire. A 120mm tank gun has been fired successfully using the system.

WORTH WATCHING

Edited by Geoffrey Charlish

An easy answer to routine questions

PERSONA SYSTEMS, a UK company of Chessington, Surrey, is offering Infobot, a microprocesser-controlled device which, connected between a company's incoming telephone lines and its mainframe computer, will answer callers' routine enquiries and release staff for more demanding discussions with customers.

Made by US company Syntellect of Phoenix, Arizona, Infobot is aimed at all kinds of customer service departments, particularly those in banks. Till now, a customer has been asked to hold while the clerk enters the account number on a terminal, reads his screen and relays the information to the caller.

Infobot takes over such functions. It receives the incoming call and uses synthesised speech to ask the customer to key in his account number. It then verbally provides various options such as 'press key number one for current account balance, two for savings account balance, or three in order to hear your last three transactions with the bank.'

The customer presses the appropriate keys, either on a touch-tone telephone or on a tone key-pad held to the phone mouthpiece. Persona emphasises that touch-tone telephones (common in the US where over 200 Infobot systems are in use) will soon be available in the UK. Many offices and houses already have push-button phones, but they generally convert the tones to Strowger pulses to work into the national UK phone system.

Persona expects that such phones will increasingly be switched to allow tones to be sent after establishing a call. Eventually, the UK phone system will work entirely on tone signalling.

US supplier puts BT to the test

TERADYNE, THE US-based automatic test equipment company, is supplying six British Telecom districts in London with subscriber line test systems worth £15.7m.

The computer-based equipments will perform nightly tests of some 4m lines running to customers' premises. The idea is to pinpoint any degredation before faults develop.

The Teradyne 4TEL system can perform diagnostic tests on demand and permit computer-guided fault location sequences to be carried out.

CONTACTS: Nutrex International: UK, 0985 218521. Philips Dictation Systems: UK office, 0206 575115. Teradyne: UK office, 0344 426899. Persona Systems: UK, 03727 29611. Northern Engineering Industries, UK, 091284 3191

COMMODITIES AND AGRICULTURE

Colombia plans gold revival

BY IAN RUTLEDGE AND PHIL WRIGHT

COLOMBIA HAS high hopes that Guainia, its most remote and uninhabited region, is on the verge of becoming a new Eldorado. The Government will be offering mining licences for gold, and possibly other metals, in the region within the next 12 months, according to Dr Jorge Bendeck, president of Sociedad Minera del Gauinia (SMG), the country's newly-formed state gold company.

"We could be looking at a photocopy of South Africa," says Dr Bendeck, who is also vice president of Ecopetrol, the state oil company, and chief minerals adviser to Mr Guillermo Perry, Colombia's energetic young Minister of Mines—and his optimism may not be entirely unreasonable.

The region's precambrian rock formations, and in particular the rivers, streams and sand beds around the Naquen and Caranacoa mountains contain possibly huge deposits of alluvial and disseminated gold of exceptional purity. In addition it is believed that there are substantial quantities of vein gold.

During the 18th Century Colombia accounted for around 40 per cent of the world's gold production, all of it shipped to Spain from the Caribbean port of Cartagena. Even today it is the seventh largest producer.

Gold production had collapsed by the mid 19th Century after the emancipation of the slaves who worked the alluvial diggings of the older gold areas, Cauca, Choco and Narino. By the end of the century, however, industry had been reborn in a new region, Antioquia, which was to become the centre of Colombian mining expertise and the home of the nation's first school of Mining Engineering, in the city of Medellin.

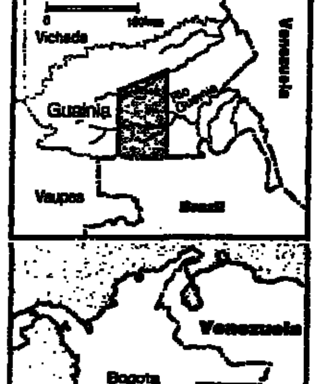
In 1941 Colombian gold output reached a peak of 20 tonnes, but the industry then went into decline once again in the face of a fixed gold price and rising production costs.

The rise in the price of gold from 1973 onwards has revitalised the industry with production rising from a mere 6 tonnes in 1972 to around 14 tonnes in 1983.

In 1984 Colombia faced a major balance of payments and foreign exchange crisis and embarked on a major policy of stimulating gold production. National law requires all gold to be sold to the Central Bank so the bank encouraged production by offering a premium of 30 per cent over the world price.

While the producer is paid in pesos, Colombia has sold the gold for dollars to ease its foreign payments crisis. In 1985 its gold exports were worth $350m and comprised nine per cent of total exports, not far short of oil exports (11 per cent) and three times the value of coal. In 1985 and 1986 the premium was gradually phased out. Production peaked at 42 tonnes in 1986 but this year is expected to fall to about 24 tonnes. Part of this fall is probably accounted for by the fact that miners are now smuggling considerable amounts out of the country to obtain the higher premiums being offered by such countries as Panama and Venezuela. But it is also possible that the increase in guerrilla activity in some gold mining areas has disrupted production.

If the Guainia region does become a major gold producing area then the face of Colombian gold mining will change dramatically. Over the past 20 years gold mining has increasingly become the preserve of the small operator. In 1972 these miners produced only 30 per cent of gold output but by 1986 this has increased to over 90 per cent. It is primarily the semi-peasant miner, with a productivity of around 1 gram per man-day, who has responded most energetically to the Government's policy for stimulating the industry.



Guania on the other hand is likely to become the preserve of large capitalist companies who will have to import not only capital but also a well-paid labour force to work in this isolated area.

Already the broad outlines of Colombia's contractual arrangements with private mining companies have been sketched out. The state gold company was established in July with an initial capital of 5bn pesos ($20m), 50 per cent of which belongs to Ecominas, another State mining company which actually owns the gold concession. The other half of the capital has been put up in cash by Ecopetrol to pay for exploration costs, salaries and so on.

SMG does not intend to invest directly in mining, however. The Colombians have already had some very bad experiences in investing expensive borrowed capital in the unprofitable El Cerrejon coal mine and Cerro Matoso nickel mine so they are going to let private capital take the risks this time.

They do not forsee any shortage of potential risk takers, however. Already Japanese mining company officials have made the long helicopter ride out to look at the region and Dr Bendek said representatives of an unnamed British mining company had also visited the site.

Companies will be invited to enter into joint projects with SMG in which the state company's equity shares will depend on the estimated value of the gold deposits.

The private companies will also have to pay a small royalty to the Government (probably about 2 per cent) and will be allowed to sell their gold for dollars on the world market. It is probable, however, that Colombia's Central Bank will retain the right to purchase the output of the Guainia mines in dollars at the prevailing world market price.

When the Colombians have finished their initial geological surveys in about a year licences will be offered covering a two-stage development programme. The first stage will be for a short period of more detailed exploration by the private company, while the second stage will be for a full production licence for a minimum period of 20 years.

Then, assuming sufficient interest among domestic and foreign companies, Colombia has every hope of becoming once again one of the world's biggest gold producers.

Ian Rutledge and Phil Wright are partners in SERIS (Sheffield Energy and Resources Information Services), 103 Carter Knowle Road, Sheffield, S7 2DY.

Sales drive boosts NZ dairy exports

By Dai Hayward in Wellington

THE NEW ZEALAND Dairy Board is claiming major successes in its interantional sales drive over the past year.

Sales of Anchor brand milk powder in China have increased dramatically from 20 tonnes to 1,100 tonnes in just one year after a locally supervised advertising campaign stressed the nutritional value of milk.

Iran has bought 35,000 tonnes of NZ butter — the biggest single sale outside the UK since 1985, when Iran bought 37,000 tonnes. This time, however the latest sale was not an oil for butter barter, but was for cash.

In the US a naturally derived whipping agent—a new product made from NZ milk protein—has won a major food industry award and is in big demand.

The board also hopes to boost sales of a whole range of dairy products to the Middle East by establishing a new subsidiary in Bahrain to cover markets from Lebannon to Yemen. At present NZ dairy sales to this area are worth more than $56m a year.

Saudi Arabia is now taking large quantities of NZ skimmed milk powder and milkfat for use by local recombining plants.

At home the Dairy Board has improved sales of ghee significantly by marketing it as "clarified butter." Now it hopes to achieve the same success with lactic butter—butter laced with a lactic culture to produce a slightly sour taste. It would be sold as "cultured butter."

These moves are part of the Board's efforts to counter margarine sales and maintains butter's share of the domestic market.

Rubber buffer stock manager plans to step up disposals

BY WONG SULONG IN KUALA LUMPUR

THE INTERNATIONAL Rubber Organisation's (Inro's) buffer stock manager plans to step up selling from his 360,000 tonnes stockpile to between 2,000 and 2,500 tonnes a month after the current International Rubber Agreement expires on October 22.

Delegates from producing and consuming countries completed negotiations for a new agreement in Geneva in March but a lapse of between six and 14 months is expected before this comes into effect, depending on the urgency which the 32 member governments attach to its ratification. Malaysia ratified the new pact in July and has been urging other countries to follow suit as soon as possible.

Briefing Far East traders and producers at his office here yesterday, Mr Aldo Hofmeister, the buffer stock manager, refused to reveal the level of disposals he would be making between now and October 23. There have been reports in the market, however, that he sold between 1,500 and 1,700 tonnes in New York on Wednesday, following the breaching early this week by the Inro five-day moving average of the buffer stock manager's "may sell" level of 232 Malaysian/Singapore cents a kilo.

That was the first time the five-day moving average had risen above the "may sell" level since March 1984.

Mr Hofmeister said his sales programme from October 23 would be "a modest one," which would be unlikely to disrupt the current firm market trend. But traders say the buffer stock disposals are bound to have a depressing effect on the market and that rubber prices are unlikely to move much above the "may sell" mark while they continue.

They expect the market to remain firm, nevertheless, as renewed buying interest materialises with the end of the summer holidays in the West. Droughts in Indonesia and China are also likely to bolster prices.

The Inro council last May authorised the buffer stock manager to make modest sales to cover servicing and maintenance costs of the stockpile in over 30 locations round the world.

Brazil funds coffee support

BY ANN CHARTERS IN SAO PAULO

THE Brazilian Coffee Institute (IBC) has signed a loan agreement with the Banco do Brasil for Cz 2.3bn ($47.8m) to pay traders for some of the coffee which has already been delivered to its warehouses.

Coffee producers were worried last week that the IBC's lack of funds would undermine prices in the domestic market while the international market would soon be subject to export quotas following the International Coffee Organisation meeting this month.

In August coffee growers delivered 2.1m bags to the institute under its programme to guarantee a minimum price per bag in the domestic market. The IBC paid for only 180,000 bags before funds ran out and it announced payments would resume only if funds were forthcoming in September.

The funds received this week will pay for 700,000 bags already in IBC hands while the remaining 1.22m must await future funding. The IBC is paying Cz3,288 ($68.50) a bag at the current exchange rate for type six coffees and better. The IBC has government approval to purchase a total of 10m bags from this year's record harvest.

Brazil's President Jose Sarney has submitted a Bill to the National Assembly, asking for an additional Cz13bn to finance the purchase of coffee. The amount is equivalent to the money generated from the contribution quota (export tax) on coffee already exported this year, and volumes to be exported before the year end. The funds will start the operation of the Fund for the Defence of the Coffee Economy. The Cz13bn would purchase an additional 4.3m bags.

Details as to how the fund — to be called Funcafe — will operate have yet to be released. The Government is moving cautiously on the formation of the special self-financing fund that will finance the purchase of coffee through the contribution quota and not through allocation from the Federal budget.

Brazil closed the first eight months of the year with coffee exports of 11.77m bags including 7.74m in green coffee and 1.03m bags of instant. Despite a record 412,000 bags exported in one day on August 31 there remain 1.05m bags registered for export in August which remain to be shipped. The IBC has extended August shipments through to Monday September 7.

EC farm ministers to discuss environment

BY BRIDGET BLOOM

AGRICULTURE MINISTERS of the European Community are to meet informally in Denmark this weekend in a prelude to what is expected to be an autumn of tough negotiations on a wide variety of farm isues.

The theme of the meeting, the first since the Ministers finally agreed the 1987 price package in July, is to be "agriculture and the environment."

The possibility of providing farmers with some form of aid from the European budget for environmental improvements is seen as one way of cushioning the impact from cutbacks in price support.

However, while environmental issues are of increasing significance within the EC's common agricultural policy, the chief value of the weekend's meeting will be in its informality.

No formal proposals will be made, nor decisions taken, although both Denmark, which currently holds the presidency of the EC Council of Ministers, and Mr Frans Andriessen, the EC Commissioner for Agriculture, are to present discussion papers to their colleagues.

Most Ministers feel that the informal meetings — which are held twice each year — provide them with a valuable opportunity for getting to know each other and for holding wide-ranging discussions before negotiations on divisive issues begin.

This autumn Farm Ministers face a particularly heavy schedule, for not only do both the sugar and sheep meat régimes fall due for review, but Ministers will be confronted with the need for decisions on the Commission's controversial proposals for building cost stabilisation mechanisms into the support régimes for each of the major commodities. The proposals — essentially involving ceilings on support spending for each product — are critical to the Community's effort to bring farm spending under control

Americas call for plan to revitalise agriculture

BY DAVID OWEN IN CHICAGO

THE AGRICULTURAL ministers of 31 nations of the Americas ended three days of discussion in Ottawa this week by tabling a 17-point declaration including a request for the Inter-American Institute for Co-operation on Agriculture to formulate a plan of action to revitalise the sector.

Farmers throughout the region have been hit hard by the trade war between major producing countries, which has escalated tensions between the US and the EC and others in recent months.

...The ministers lauded recent promises by industrialised nations to reform their farm policies but expressed concern at "the contradiction between this progress on the rhetorical plane and the persistence and likely intensification of protectionist practices."

The ministers stressed the need for developing countries to become more efficient in their production methods and advocated mutual co-operation and encouragement for the industrialised world to transfer its techniques and know-how as means to that end.

While ripping down trade barriers may be eminently desirable, the ministers added, it is not in itself enough. Ways must be found to ensure that developing nations can find ready markets for their products if they succeed in becoming more efficient.

Agricultural trade is prominently on the agenda for the ext round of talks under the General Agreement on Tariffs and Trade.

LONDON MARKETS

LONDON METAL Exchange copper prices fell for the fifth day in a row yesterday, taking the aggregate decline to £32 a tonne. The cash Grade A position closed at £1,031.50 a tonne, down £12. The New York market was again the pace setter. The London copper price's early fall was attributed to overnight weakness in the US market, which encouraged speculative selling. And dealers explained that a rally towards the close was mainly influenced by a firmer New York opening. The zinc market's weaker tone was also maintained with the cash position closing £11 down at at £453.50 a tonne, reflecting cuts in European producers' list prices and firmer sterling against the dollar. Sterling's rise was also a factor in the cocoa market, and in the absence of any positive news from the current talks on reactivating the International Cocoa Agreement's (ICCO's) buffer stock support operation prices reached fresh 11-week lows. News that ICCO producers and consumers had agreed outline terms for the negotiation of price stabilisation levels came too late to have any market impact.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	1615-25	+28	—
3 months	1595-605	+16.5	1599/1585

Official closing (am): Cash 1,605-8 (1,590-610), three months 1,585-8 (1,555-60). settlement 1,608 (1,610). Final Kerb close: 1,595-605. Ring turnover: 900 tonnes.

99.5% purity	£ per tonne		
Cash	962-3	—2	—
3 months	945.5-6	+4.25	950/936

Official closing (am): Cash 958-8 (951-3). three months 942-3 (930-30.5), settlement 958 (953). Final Kerb close: 946-7. Ring turnover: 23,900 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1031-2	—12	1032
3 months	1016-6.5	—15.5	1017/1025

Official closing (am): Cash 1,021.5-2 (1,041-1.5), three months 1,008.5-9 (1,028-8.5), settlement 1,022 (1,041.5). Final Kerb close: 1,014-5.

Standard			
Cash	1042-5	—12	—
3 months	1016-6.5	—14	

Official closing (am): Cash 1,020-2 (1,041-2), three months 1,005-8 (1,027-8), settlement 1,022 (1,042). US Producer prices: 80-85 cents a pound. Total ring turnover: 31,826 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	408-9	+4	409/404
3 Months	388-8.5	+2.75	390/386

Official closing (am): Cash 404.5-5 (408-7), three months 388-9 (385-6). settlement 405 (407). Final Kerb close: 389.5-90. Ring turnover: 9,825 tonnes. US Spot: 42 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3235-40	—42.5	3255/3230
3 months	3200-10	—65	3245/3199

Official closing (am): Cash 3,165-70 (3,305-10). three months 3,155-8 (3,300-1). settlement 3,170 (3,310). Final Kerb close: 3,200-5. Ring turnover: 3,120 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	453-4	—11	—
3 months	457.5-8	—10.5	475/456

Official closing (am): Cash 458-9 (467-8). three months 462.5-3 (471.5-2), settlement 459 (468). Final Kerb close: 457-8. Ring turnover: 23,200 tonnes. US Prime Western: 47.5-48.5 cents a pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—

		Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.5%	1,525	—	67½	37½	75
	1,550	66	56	48	—
	1,575	56½	—	—	—
Copper (Grade A)	1,650	—	—	46½	82½
	1,675	—	—	56½	—
	1,700	57	—	—	—

	£/tonne				
Copper (Grade A)	—	—	40	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET—Close: 15.85 (15.87) ringgit per kg. Down 0.02.

GOLD

GOLD BULLION (fine ounce)	Sept. 3	
Close	$464-464¼	(£279¾-280¼)
Opening	$464¾-465¼	(£281¼-281¾)
M'n'g fix	$462¼	(£279¾)
Aft'n'n fix	$463¾	(£280¼)
Day's high	$464¾-465¼	—
Day's low	$461½-462	—

GOLD AND PLATINUM COINS

Am Eagle	$477½-481½	(£287½-290¼)
Mapleleaf	$477-480	(£287½-289½)
Kr'g'r'nd	$463½-466½	(£279½-281¼)
½ Krug	$238-247½	(£143½-149¼)
¼ Krug	$118-126	(£71¼-75¾)
Angel	$475-478	(£286½-288¼)
1/10 Angel	$46-51	(£27¾-30¾)
New Sov.	$108-109	(£65¼-65¾)
Old Sov.	$108-109½	(£65¼-66)
Noble Plat.	$626-636	(£377½-383½)

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.38p per kg lw (+1.62). GB—Sheep 168.94p per kg est dcw (+13.58). GB—Pigs 75.45p per kg lw (+2.54).

FUTURES—Pigs: Oct 102.30, Nov 103.30, Feb 95.80. April 99.00, June 99.50, Aug 97.00. Sales: 59. Live cattle: Oct 98.00, Nov 96.00. Sales: 6.

INDICES

REUTERS

Sept. 2	Sept 1	M'th ago	Year ago
1659.5	1661.5	1638.8	1461.7

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept. 2	Sep. 1	M'th ago	Year ago
Spot	128.58	127.59	—	120.81
Fut	131.27	130.37	—	133.22

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Sept. 3 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1605/625	—85	$1775/785
Copper			
Cash Grade A	£1031.5	—12	£1108
3 months	£1016.25	—12.5	£1086.5
Gold Troy oz	$464.25	+0.5	$459
Lead Cash	£408.5	+4	£403
3 months	£388.25	+2.75	£383.5
Nickel			
Free Mkt	237/257c	—7	257/257c
Palladium oz	$138.75		$144.60
Platinum oz	$607.00	—3	$620.75
Quicksilver†	$289/290	14.25	$250/260
Silver troy oz.	463.50p	+1.85	525.95p
3 months	475.00p	+1.75	538.30p
Tin			
free Mkt	$4140/170	—30	$4240/270
Tungsten	$55.47	+2.24	$53.69
Wolfram 22.0lb	$43/55		$48/55
Zinc	£453.5	—11	£522
3 months	£457.75	—10.5	£518
producers	$860		$860
OILS			
Coconut (Phil)	$510w		$450
Palm Malayan	‡		$295
Seeds			
Copra (Phil)	$315		$287.5
Soyabean (U.S.)	$147	+1	$150.5
GRAINS			
Barley Fut. Nov.	£100.05	+0.05	£100.00
Maize	£153.00		£156.50
Wheat Fut. Nov.	£104.15	—0.35	£101.30
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1247.5	—7	£1316.5
Coffee Ft. Nov	£1347.5	—3	£1279.5
Cotton A Ind.*	64.60c	—1.3	65.45c
Gas Oil Oct.	$158	—1.5	$167.5
Rubber (kilo)	69p	—0.5	70p
Sugar (raw)	$152.4u	+0.2	$150.6
Wooltops 64s	497p kilo	—30	485p kilo

‡Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v Oct. x Aug-Sept. w Oct-Nov. u Sept-Oct. y Nov.

SILVER

Silver was fixed 1.8p an ounce higher for spot delivery in the London bullion market yesterday at 463.5p US cent equivalents of the fixing levels were: Spot 768c, up 6c; three-month 779.55c, up 6.1c; six-month 794.25c, up 6.4c; and 12-month 825.2c, up 6.15c. The metal opened at 467-468½p (772-774c) and closed at 464-564½p (770-772c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	463.50p	+1.85	769.c	+1.5
3 months	475.00p	+1.75	781.c	—0.5
6 months	486.70p	+1.80	—	—
12 months	510.65p	+1.60	—	—

Three months high/low 778c, final kerb 778-82c.

LME—Turnover: 1 (1) lots of 10,000 ounces.

COFFEE

After Wednesday's steady close the market found follow-through buying, reports Drexel Burnham Lambert. However, gains were limited as overhead trade selling checked the rise. The market traded in a narrow range with good two-way action and switch activity. Late trade selling and light liquidation took the market lower to close on the lows of the day.

COFFEE	Yesterday close	+ or —	Business done
Sept	1310-1318	—2.5	1325-1311
Nov	1347-1348	—3.0	1306-1345
Jan	1374-1381	—6.0	1385-1374
Mar	1391-1392	—1.5	1399-1389
May	1410-1415	+2.0	1418-1309
July	1430-1457	+8.5	1438-1429
Sept	1450-1479	+16.5	—

Sales: 6,122 (6,447) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 2: Comp. daily 1979 106.84 (106.35); 15-day average 100.48 (99.85).

COCOA

Following an opening £6 steadier futures failed to hold the levels and eased £20 during the afternoon to close on a weak note just off the lows, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
Sept	1203-1206	—7.0	1221-1219
Dec	1247-1248	—7.0	1264-1244
March	1283-1284	—6.5	1298-1279
May	1306-1307	—4.0	1317-1302
July	1326-1328	—3.5	1338-1323
Sept	1346-1347	—4.0	1358-1346
Dec	1368-1369	—14.0	1378-1367

Sales: 2,858 (5,522) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for September 2: 1,582.56 (1,579.02); 10-day average for September 3: 1,582.95 (1,596.26).

FREIGHT FUTURES

Dry Cargo	Close	High/Low	Prev.
Oct.	1085/1090	1090/1055	1106
Jan.	1087/1099	1100/1070	1080/1085
Apr.	1160	1160/1140	1140/1145
July	955/1085	—	1042.5
Oct.	1050	—	1055
Jan.	1070	—	1069
April	1160	—	1155
BFI.	1066	—	1084.5

Turnover: 341 (511).

GRAINS

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Sept 93.25, Oct 94.75, Nov 96.00. US No 2 Soft Red Winter: Sept 89.00, Oct 91.00, Nov 93.00. French: 11½-12 per cent: Sept 135.00, Oct 138.00 sellers. English feed, fob: Oct/Dec 108.00 paid, Sept 105.50 seller, Oct 107.50-108.00, Jan 110.50-111.00 buyer/sellers, April/June 116.00 seller East Coast. Maize: US No 3 Yellow/French, transhipment East Coast: Sept 153.00 seller. Barley: English feed: Sept 101.00 seller, Oct/Dec 105.00-106.00, Jan/March 108.50-109.50 buyer/sellers.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	103.45	—0.05	97.00	+0.15
Nov.	104.15	—0.35	100.05	+0.05
Jan.	106.30	—0.50	102.55	—
Mar.	109.20	—0.40	104.85	—
May	111.60	—0.20	106.95	—0.05
July	114.00	—0.30	—	—

HGCA — Locational ex-farm spot prices. Feed barley: S. West 95.00, W. Midlands 94.60, N. West 94.40. The UK monetary coefficient for the week beginning Monday September 7 will remain unchanged.

Business done—Wheat: Sept 103.75-3.40, Nov 104.50-4.15, Jan 106.80-6.30, March 109.55-9.20, May 111.60, July untraded. Sales: 416 lots of 100 tonnes. Barley: Sept 97.35-6.75, Nov 100.50-99.90, Jan 103.10-2.55, March 105.35-4.85, May 106.95. Sales: 209 lots of 100 tonnes.

Wheat futures ignored the strength in fob and delivered markets, first trading at unchanged levels then falling on shipper selling. Barley touched 50p up on erratic shipper support before returning to unchanged levels on keen trade selling, reports T. G. Roddick.

POTATOES

The market awaited fresh direction. After opening 30p down values drifted during early trade to establish the days' narrow £1.00 range, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov.	86.50	87.50	87.50-86.50
Feb.	96.30	95.50	—
March	84.90	83.80	84.90
Apr.	132.00	132.80	132.50-131.50
May.	145.00	145.00	—

Sales: 288 (371) lots of 40 tonnes.

OIL

CRUDE OIL—FOB ($ per barrel) Sept.	Latest	Change + or —
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.25-17.30*	—
Brent Blend	18.10-18.20	—0.30
W.T.I. (1pm est)	19.40-19.70*	—0.25
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)

Premium gasoline	178-181	—1
Gas Oil	157-158	—1
Heavy fuel Oil	97-99	—
Naphtha	158-160	—2

* October.

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
October	124.5-124.8	+1.40	125.0-124.5
Dec	124.0-124.2	+1.25	124.5-124.0
Feb	125.5-126.0	+1.40	126.0-124.0
April	128.5-127.0	+1.85	127.8-126.5
June	122.0-124.0	+0.55	—
August	122.3-122.8	—0.05	122.5
October	122.5-124.0	+0.25	—

Sales: 789 (159) lots of 20 tonnes.

US MARKETS

PRECIOUS METALS remained quietly on the defensive for most of the day except for a brief rally midway through the session a fund and commission house buying, mainly in gold, emerged, reports Drexel Burnham Lambert. Copper fell on early commission house and trade selling, but short-covering rallied prices back as the market closed higher on the day.

higher on the day. The crude oil and energy complex was quiet, but tended to drift lower as sentiment reflected the realisation that despite the situation in the Gulf, oil supplies remained plentiful. Good local and trade selling in coffee touched off commission house stops and fund buying and profit-taking were insufficient to stem the decline. Cocoa was quiet. rallying early on commission house and local buying before trade selling prompted long-liquidation and local selling with the market steadying near the close on short-covering. Sugar eased on commission house and trade selling which touched off light stops and remained on the defensive for the rest of the session. Good commission house selling eased cotton prices before trade support prompted short-covering. Cattle futures continued steady in expectation of tight supplies, but even the near contracts firmed as dressed beef prices bottomed. Hogs were weaker in October reflecting heavy hog runs, but December firmed as the market continued to attempt to close the gap with cash prices. Pork bellies were strong, but choppy. Soyabean meal again led the way in grains and soyabean complex. Continued strong cash premiums coupled with good trading in Europe and Brazil led to commercial buying.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
Sept	76.50	76.00	76.50	76.50
Oct	75.50	75.00	—	—
Nov	74.50	74.00	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
Oct	19.50	19.64	19.59	19.30
Nov	19.32	19.45	19.39	19.12
Dec	19.28	19.39	19.35	19.10
Jan	19.29	19.36	19.34	19.09
Feb	19.30	19.34	19.32	19.10
March	19.28	19.33	19.30	19.11
April	19.28	19.32	19.30	19.10
May	19.28	19.31	19.30	19.10
June	19.28	19.30	19.30	19.10
July	19.24	19.29	19.28	19.10

SPOT PRICES: Chicago loose lard 15.00 (same) cents per pound. Handy and Herman silver bullion 769.5 (767.5) cents per troy ounce. New York tin 317-318 (318.319) cents per pound.

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min, cents/56lb bushel

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept	15.75	15.80	15.82	15.70
Oct	15.86	15.93	15.95	15.83
Dec	16.22	16.29	16.30	16.18
Jan	16.36	16.45	16.45	16.36
March	16.66	16.76	16.77	16.68
May	16.95	16.98	16.97	16.88
July	17.15	17.19	17.20	17.10
Aug	17.15	17.11	17.26	17.14
Sept	17.15	17.14	17.15	17.16

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	Prev	High	Low
Sept	274.6	278.0	278.0	274.4
Dec	287.6	290.2	290.2	287.2
March	292.6	294.4	294.0	292.0
May	285.4	286.0	286.0	283.4
July	272.4	273.0	274.0	271.4
Sept	276.4	276.4	278.0	276.4

SUGAR

LONDON DAILY PRICE—Raw sugar $152.40 (£92.60), up 20c (unchanged) a tonne for September-October delivery. White sugar $184.60, up 40c.

	Yesterd'a close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Oct	129.0-129.2	131.4-131.6	133.0-129.0
Dec	137.6-138.2	138.6-141.6	142.6-141.6
Mar	147.2-147.6	149.4-149.6	151.6-146.2
May	151.4-151.6	153.4-153.6	155.0-151.4
Aug	155.0-156.2	158.0-155.0	—
Oct	160.2-160.6	162.0-162.9	165.5-161.6
Dec	164.0-165.4	168.8-167.8	—
No. 5 Whites			
Oct	179.0-180.0	181.6-182.6	182.8-180.8
Dec	178.2-180.2	181.6-182.2	183.2-182.0
Mar	184.2-185.0	186.6-187.8	188.2-185.5
May	188.0-189.8	190.4-191.6	191.6-190.6
Aug	192.0-193.0	193.8-194.8	195.6-192.8
Oct	195.0-198.6	197.6-198.4	188.6-196.8
Dec	188.0	194.5	—

Sales: No 6 3,308 (3,823) lots of 50 tonnes: No 5 1,978 (1,884).

Tate and Lyle delivery price for granulated basis sugar was £197.00 (same) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 2: Daily price 5.80 (5.55): 15-day average 5.58 (same).

PARIS—(FFr per tonne): Oct 1091-1095, Dec 1098-1102, March 1132-1135, May 1156-1165, Aug 1185-1196, Oct 1208-1218.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Sept.	157.00	—1.75	158.50-57.25
Oct	158.00	—1.50	160.25-58.25
Nov.	159.50	—1.25	161.25-59.25
Dec.	161.00	—1.00	161.75-59.50
Jan.	161.50	—	—

Turnover: 5,156 (3,431) lots of 100 tonnes.

RUBBER

PHYSICALS—Closing prices (buyers): Spot 69.00p (69.50p); Oct 67.75p (68.25p); Nov 68.00p (68.50p). The Kuala Lumpur fob prices (Malay/Singapore cents) per kg was RSS No 1 264.0 (265.0); SMR 20 238.0 (239.0).

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar weak and nervous

THE DOLLAR finished weaker after a day of nervous and erratic trading in thin volume. It closed below the psychologically important DM 1.80 level, having resisted attempts earlier in the day because traders had been reluctant to carry short positions over the weekend. There was little incentive to do this because of concern about rising tension in the Gulf. In addition New York markets are closed on Monday for a holiday.

The weaker trend developed during the afternoon after speculation that the G5 finance ministers had decided on a lower band for the dollar. While central banks maintained a presence in the market, the extent of any intervention was seen more as a smoothing operation rather than a concerted attempt to arrest the dollar's decline.

Consequently the dollar's bearish trend gained the upper hand and it finished down from Wednesday's closing levels at 1.7935 from DM 1.8030. Yen trading was a little more cautious and the dollar was virtually unchanged at Y141.0 from Y140.95 but elsewhere it slipped to SFr 1.4835 from SFr 1.4885 and FFr 6.0025 compared with FFr 6.0350. On Bank of England figures, the dollar's exchange rate index fell from 100.5 to 100.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. August average 1.5985. Exchange rate index 73.1, against 73.0 at the opening and Wednesday's close. The six months ago figure was 70.6.

Sterling finished at its best level of the day, helped by a weaker dollar. While the economic outlook remained bright, speculators were aware that the Bank of England had intervened on previous occasions when the pound started to approach DM 23.00. For the time being there was insufficient impetus to test the Bank's resolve and the pound closed at DM 2.9725 from DM 2.9750. It was higher against the yen at Y233.75 from Y232.50 and SFr 2.4600 from SFr 2.4550. Elsewhere it slipped to FFr 9.9525 from FFr 9.9575.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. August average 1.8573. Exchange rate index 147.2 against 147.7 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8003 compared with DM 1.8080 on Wednesday.

Trading was confined to a narrow range because although the dollar retained a bearish undertone dealers were less than certain about how heavily central banks were likely to intervene should the dollar fall further.

However in the past central bank intervention has been unsuccessful in turning a market trend and the real reasons for the dollar's relative stability included a lack of fresh economic data to spark off a further round of selling and also a general reluctance to run short dollar positions over the weekend, given the current state of events in the Gulf.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. August average 147.57. Exchange rate index 224.8 against 209.0 six months ago.

Short covering left the dollar slightly firmer on the day but it retained its bearish undertone. Position squaring ahead of the long weekend in the US saw the dollar close at Y141.20 against Y140.80 in New York and Y141.15 in Tokyo on Wednesday.

There may have been limited intervention by the Bank of Japan at the start of the day but the dollar was in demand elsewhere and needed little support. Rising tension in the Gulf may also have prompted some demand for the US unit.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0645	+1.43	+1.21	±1.5344
Danish Krone	7.85212	7.99094	+1.77	+1.55	±1.6404
German D-Mark	2.05853	2.07214	+0.66	+0.44	±1.0981
French Franc	6.90403	6.93477	+0.45	+0.23	±1.3674
Dutch Guilder	2.31943	2.33278	+0.58	+0.36	±1.5012
Irish Punt	0.768411	0.778745	+1.34	+1.12	±1.6684
Italian Lira	1,483.58	1,501.32	+1.20	+1.13	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept. 3	Latest	Previous Close
£ Spot	1.6585-1.6595	1.6530-1.6540
1 month	0.37-0.35pm	0.37-0.36pm
3 months	1.14-1.09pm	1.26-1.23pm
12 months	3.25-3.15pm	4.12-4.02pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Sept. 3	Previous
8.30	am	73.0	72.8
9.00	am	73.0	72.8
10.00	am	73.0	72.8
11.00	am	73.0	72.9
Noon		73.0	72.9
1.00	pm	73.0	72.9
2.00	pm	73.0	72.9
3.00	pm	73.0	72.9
4.00	pm	73.1	73.0

CURRENCY RATES

Sept. 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.785679	0.697616
U.S. Dollar	5.5	1.29747	1.15176
Canadian $	8.75	*	1.51457
Austrian Sch.	4	16.4506	14.5790
Belgian Franc	7¾	48.5156	43.0645
Danish Krone	7	9.00963	7.99094
Deutsche Mark	3.0	2.33584	2.07214
Neth. Guilder	4½	2.62803	2.33278
French Franc	9½	7.81207	6.93477
Italian Lira	12	NA	1501.32
Japanese Yen	2½	183.268	162.744
Norway Krone	8	8.58598	7.62086
Spanish Peseta	—	156.929	139.391
Swedish Krona	7½	8.24283	7.31140
Swiss Franc	3.5	1.93329	1.71383
Greek Drach.	20½	178.149	158.126
Irish Punt	—	NA	0.778745

*CS/SDR rate for Sept. 2: 1.70396.

CURRENCY MOVEMENTS

Sept. 3	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.1	−20.4
U.S. Dollar	100.2	−6.9
Canadian Dollar	78.3	−9.8
Austrian Schilling	137.8	+10.2
Belgian Franc	99.9	+4.6
Danish Krone	91.1	+1.1
Deutsche Mark	147.2	+21.8
Swiss Franc	173.6	+22.2
Guilder	135.4	+14.5
French Franc	71.5	−13.1
Lira	47.2	−18.3
Yen	224.8	+67.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

September 3	£	$
Argentina	3.7985-3.8155	2.2980-2.3070
Australia	2.2900-2.2930	1.3865-1.3875
Brazil	79.9805-80.4290	48.3850-48.6270
Finland	7.2110-7.2236	4.3675-4.3705
Greece	224.55-228.20	136.10-138.30
Hong Kong	12.8955-12.9065	7.8015-7.8035
Iran	116.75*	70.90*
Korea(Sth)	1328.55-1340.53	803.80-810.40
Kuwait	0.4625-0.4630	0.2790-0.2795
Luxembourg	61.70-61.80	37.25-37.45
Malaysia	4.1475-4.1530	2.5090-2.5110
Mexico	2482.80-2489.25	1502.00-1505.00
N. Zealand	2.6685-2.6735	1.6155-1.6175
Saudi Ar.	6.1985-6.2040	3.7500-3.7510
Singapore	3.4675-3.4715	2.0985-2.0995
S. Af. (Cm)	3.3505-3.3655	2.0265-2.0305
S. Af. (Fn)	5.4165-5.6000	3.2785-3.3895
Taiwan	49.65-49.85	30.05-30.15
U.A.E.	6.0705-6.0760	3.6725-3.6735

*Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Sept 3	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6475-1.6595	1.6575-1.6585	0.38-0.35 cpm	2.64	1.14-1.09 pm	2.69
Canada	2.1702-2.1786	2.1756-2.1786	0.16-0.06 cpm	0.61	0.50-0.38 pm	0.81
Netherlands	3.34½-3.35¼	3.34¼-3.35¼	1⅛-1⅛ cpm	4.48	4⅛-3⅞ pm	4.71
Belgium	61.68-61.95	61.70-61.80	21-14 cpm	3.40	57-46 pm	3.34
Denmark	11.44½-11.48½	11.46½-11.47½	¼pm-⅞ ore dis	−0.39	⅛-⅞ ore dis	−0.17
Ireland	1.1145-1.1200	1.1170-1.1180	0.07 dis-0.01 pm	0.43	0.22 dis-0.05 pm	−0.48
W. Germany	2.96-2.97¾	2.96¾-2.97¾	1⅝-1⅜ pf pm	6.06	4⅝-4¼ pm	5.97
Portugal	233.45-235.55	233.45-236.55	71-122 c dis	−4.94	254-344 dis	−5.10
Spain	199.46-200.10	199.81-200.10	86-118 c dis	−6.12	197-246 dis	−4.43
Italy	2151½-2157½	2154½-2155½	4-7 lire dis	−3.02	13-18 dis	−2.88
Norway	10.90-10.93¼	10.90-10.91	3½-3⅞ ore dis	−4.06	10-10½ dis	−3.76
France	9.93¾-.96¾	9.94¾-9.95¾	1⅞-1⅛ c pm	1.96	5⅛-4⅛ pm	1.86
Sweden	10.48-10.50	10.48½-10.49½	1-½ ore pm	0.86	2⅝-2 pm	0.88
Japan	2.33-2.34¼	2.33¼-2.34¼	1⅛-1 y pm	5.78	3⅝-3¼ pm	5.88
Austria	20.91-20.97	20.94-20.97	10½-9⅛ gro pm	5.55	30½-28 pm	5.57
Switzerland	2.45½-2.46½	2.45½-2.46½	1⅜-1⅛ c pm	6.10	4⅛-3¾ pm	6.40

Belgian rate is for convertible francs. Financial franc 62.05-62.15. Six-month forward dollar 1.99-1.94 c pm. 12-month 3.30-3.20 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Sept. 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6475-1.6595	1.6575-1.6585	0.38-0.35c pm	2.64	1.14-1.09pm	2.69
Ireland†	1.4755-1.4855	1.4845-1.4855	0.25-0.20c pm	1.83	0.85-0.75 pm	2.17
Canada	1.3130-1.3163	1.3140-1.3150	0.20-0.23c dis	−1.96	0.61-0.64 dis	−1.90
Netherlands	2.0150-2.0300	2.0185-2.0195	0.36-0.33c pm	2.04	1.05-0.99pm	2.01
Belgium	37.20-37.30	37.20-37.30	4.00-1.00c pm	0.80	9.00-4.00pm	0.69
Denmark	6.89¼-6.94½	6.89¼-6.89¾	0.90-1.60ore dis	−2.16	3.90-4.60 dis	−2.45
W. Germany	1.7900-1.8030	1.7930-1.7940	0.50-0.47pf pm	3.23	1.50-1.45pm	3.28
Portugal	141½-142½	141½-142	50-150c dis	−8.46	225-425 dis	−9.17
Spain	120.40-121.05	120.40-120.50	100-120c dis	−10.91	225-265 dis	−8.10
Italy	1298-1306	1299¾-1300¼	5.50-6.70lire dis	−5.52	17.50-19.00dis	−5.59
Norway	6.57-6.58¼	6.57¼-6.57¾	3.40-3.75ore dis	6.49	10.65-11.05dis	−6.56
France	5.99½-6.03½	6.00-6.00½	0.27-0.37c dis	−0.64	1.05-1.35 dis	−0.80
Sweden	6.32-6.35½	6.32-6.32½	0.75-1.05ore dis	−1.70	2.60-3.00 dis	−1.76
Japan	140.50-141.65	140.50-141.50	0.40-0.37y pm	3.27	1.19-1.14 pm	3.29
Austria	12.62¾-12.68¾	12.62¼-12.62¾	3.50-2.50gro pm	2.84	10.00-8.00pm	2.84
Switzerland	1.4810-1.4920	1.4830-1.4840	0.48-0.43c pm	3.66	1.42-1.37 pm	3.74

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.40-37.50

EURO-CURRENCY INTEREST RATES

Sept. 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅞-9⅝	9⅞-9⅝	10-9⅞	10¼-10⅛	10⅜-10⅛	10⅝-10½
U.S. Dollar	6⅞-6⅞	6⅞-6⅞	7⅛-7⅞	7⅛-7⅞	7⅞-7⅞	8⅛-8⅛
Can. Dollar	8⅞-8⅝	8⅞-8⅝	9⅛-8⅞	9⅛-9	9⅞-9⅞	10-9⅞
D. Guilder	5⅛-5	5⅛-5⅛	5⅛-5⅛	5⅞-5⅛	5⅞-5⅞	5⅞-5⅞
Sw. Franc	1⅛-1⅛	2-1⅛	3⅝-3½	3⅞-3⅞	4-3⅞	4-3⅞
Deutschmark	3⅛-3⅝	3⅞-3⅞	4-3⅞	4-3⅞	4⅞-4⅞	4½-4⅞
Fr. Franc	7⅛-7	7⅛-7⅛	7⅞-7⅝	8⅞-8⅞	8⅞-8⅞	9⅞-9⅛
Italian Lire	12-10	12⅛-10⅛	13-12½	13⅛-12⅞	13⅛-12⅞	13⅛-13
B. Fr. (Fin.)	6⅛-6⅛	6⅞-6⅞	6⅞-6⅞	6⅞-6⅝	7⅞-7⅞	7⅞-7⅛
B. Fr. (Con.)	6⅛-5⅞	6⅛-5⅞	6⅛-6⅛	6⅞-6½	7⅞-6⅞	7⅞-7⅛
Yen	3⅛-3½	3⅝-3⅞	4⅛-4	4⅛-4⅛	4⅞-4⅞	4⅞-4⅞
D. Krone	9⅛-9⅛	9⅛-9⅛	10⅛-9⅞	10⅛-9⅞	10½-10	10⅞-10⅛
Asian $Sing.	6⅞-6⅞	6⅞-6⅞	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	8⅞-8⅞

Long-term Eurodollars: Two years 8⅛-9 per cent; three years 9⅛-9⅜ per cent; four years 9⅛-9⅝ per cent; five years 9⅝-9⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept. 2	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.650	2.973	233.8	9.953	2.460	3.348	2155.	2.177	61.75
$	0.603	1.	1.793	141.0	6.003	1.484	2.019	1300.	1.313	32.24
DM	0.336	0.558	1.	78.64	3.348	0.828	1.126	725.0	0.732	20.77
YEN	4.278	7.093	12.72	1000.	42.58	10.52	14.32	9219.	9.314	264.2
F Fr.	1.005	1.666	2.987	234.9	10.	2.472	3.363	2165.	2.187	62.04
S Fr.	0.407	0.674	1.208	95.02	4.046	1.	1.361	876.0	0.885	25.10
H Fl.	0.299	0.495	0.888	69.83	2.973	0.735	1.	643.8	0.650	18.45
Lira	0.464	0.769	1.379	108.5	4.618	1.142	1.553	1000.	1.010	28.65
C $	0.459	0.762	1.365	107.4	4.571	1.130	1.538	989.8	1.	28.36
B Fr.	1.619	2.685	4.814	378.5	16.12	3.984	5.421	3490.	3.526	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

US bonds remain weak

US TREASURY bonds continued to fall on the London International Financial Futures Exchange, while long term gilt futures were firm.

This week's steady decline in US bond prices and the rally in gilts has led to a narrowing of the yield differential between New York and London, which dealers suggested is reaching a critical point.

Doubts were expressed about how long gilt prices can rise, and yields fall, at a time when the general trend in international interest rates is upwards.

Traders commented that yields of around 10 per cent on long gilts no longer gives enough margin over US yields of 9.5 per cent. The present strength of sterling provided support yesterday, but it was also suggested that this was a reflection of the dollar's weakness, rather than indicating any fundamental improvement by the pound.

Against this background the market will wait nervously for the August UK money supply and bank lending figures on September 18.

December gilts opened at 114-21, and closed near the day's high at 115-18.

US Treasury bonds for December delivery opened lower at 84-10, and rose to 84-23 on profit-taking, before falling to 83-29 after Chicago started trading, and finishing at 84-02, against 84-12 on Wednesday.

Japanese Government bonds remained under pressure from the threat of an escalation in the Gulf War, on news of more attacks on shipping in the area, and by rumours that other Japanese companies have problems on trading the bond market.

December Japanese bonds opened at the day's high of 102-70 and closed at 102-66.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	7.53	8.26	0.17	0.48
110	6.06	6.54	0.34	1.12
112	4.32	5.29	0.60	1.51
114	3.09	4.14	1.37	2.36
116	2.06	3.12	2.34	3.34
118	1.20	2.22	4.48	4.44
120	0.50	1.43	5.14	6.01
122	0.28	1.10	6.56	7.32

Estimated volume total, Calls 2,688 Puts 1,040

Previous day's open int: Calls 15,587 Puts 11,665

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
80	4.55	4.47	0.51	1.35
82	3.30	3.34	1.26	2.22
84	2.17	2.35	2.13	3.23
86	1.19	1.49	3.15	4.37
88	0.47	1.12	4.43	6.00
90	0.25	0.49	6.21	7.37
92	0.12	0.31	8.08	9.19
94	0.05	0.19	10.01	11.07

Estimated volume total, Calls 20 Puts 53

Previous day's open int: Calls 349 Puts 363

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Sept.	Calls—Last Oct.	Puts—Last Sept.	Puts—Last Oct.
23000	2.82	7.50	6.22	6.25
23250	2.01	6.29	7.91	7.54
23500	1.38	5.22	9.78	8.97
23750	0.93	4.28	11.83	10.53
24000	0.60	3.48	14.00	12.23
24250	0.38	2.80	16.28	14.05
24500	0.23	2.23	18.63	15.98
24750	0.14	1.75	21.04	18.00

Estimated volume total, Calls 13 Puts 12

Previous day's open int: Calls 305 Puts 209

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price	Calls—Last				Puts—Last			Dec.
[illegible]								2.75
								2.10
								2.70
								0.35
								0.55
								1.70
								3.90
								7.20
								16.50

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

Strike Price							June
1.500	[illegible]						0.86
1.525							1.00
1.550							1.16
1.575							1.33
1.600							1.51
1.625							1.71
1.650							1.92

LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	[illegible]			
Dec.				
March				

Estimated Volume [illegible]

Previous day's open int. [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sept.	[illegible]			
Dec.				

Estimated Volume [illegible]

Previous day's open int. [illegible]

THREE-MONTH STERLING

£500,000 points of 100%

	Close	High	Low	Prev.
Sept.	[illegible]			
Dec.				
March				
June				
Sept.				
Dec.				

Estimated Volume [illegible]

Previous day's open int. [illegible]

FT-SE 100 INDEX

£25 per full index point

	Close	High	Low	Prev.
Sept.	[illegible]			
Dec.				

Estimated Volume [illegible]

Previous day's open int. [illegible]

THREE-MONTH EURODOLLAR

$1m points of 100%

	Close	High	Low	Prev.
Sept.	[illegible]			92.62
Dec.				91.88
March				91.52
June				91.26
Sept.				91.04
Dec.				90.86
Mar.				90.69
June				90.53

Estimated Volume [illegible]

Previous day's open int. [illegible]

U.S. TREASURY BONDS 8%

$100,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	[illegible]			85-08
Dec.				84-12
Mar.				83-16

Estimated Volume [illegible]

Previous day's open int. [illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6580	[illegible]			1.6255

IMM—STERLING Se per £

	Close	High	Low	Prev
Sept.	[illegible]			1.6510
Dec.				1.6415
Mar.				1.6325
June				1.6210

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept.	[illegible]			1.6475
Dec.				1.6368
Mar.				1.6287

Estimated Volume [illegible]

Previous day's open int. [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

$100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM)

$1m points of 100%

[illegible]

CERT. DEPOSIT (IMM)

$1m points of 100%

[illegible]

JAPANESE YEN (IMM)

Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sept.	[illegible]			0.7117
Dec.				0.7179
Mar.				0.7248
June				0.7323

DEUTSCHE MARK (IMM)

DM125,000 $ per DM

	Latest	High	Low	Prev.
Sept.	[illegible]			0.5571
Dec.				0.5619
Mar.				0.5667
June				0.5715

THREE-MONTH EURODOLLAR (IMM)

$1m points of 100%

	Latest	High	Low	Prev.
Sept.	[illegible]			92.59
Dec.				91.84
Mar.				91.43
June				91.15
Sept.				90.93
Dec.				90.74
Mar.				90.56
June				90.40

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

[illegible]

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Sept.	[illegible]			322.80
Dec.				325.55
Mar.				328.35
June				331.10

MONEY MARKETS

London rates little changed

THERE WAS a little change in interest rates on the London money market yesterday, with three-month interbank unchanged at 10¼-10⅛ per cent while 12-month eased to 10⅜-10⅞ per cent from 10⅞-10⅞ per cent.

At one time there was a slight firming of rates as the market gave further consideration of yesterday's remarks made by Mr Nigel Lawson, Chancellor of the Exchequer, when he said the rise of 1 per cent in UK bank base rates was sufficient.

Dealers felt that although Mr Lawson's comments were generally comforting, there were still doubts about the UK's economic prospects, after the latest figures on overseas trade and bank lending.

But towards the close the strength of sterling against a depressed dollar helped to quell any lingering fears about another increase in base rates.

The Bank of England forecast a flat credit position on the London money market, and did not intervene with bill purchases, but provided late assistance of around £30m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £582m, with a rise in the note circulation absorbing £30m. These factors were offset by Exchequer transactions adding £510m to liquidity, and bank balances above target of £135m.

In Zurich the Swiss National Bank announced an issue of three-month money market paper, totalling around SFr 150m. Subscriptions will be accepted until September 8, with payment due September 10. The last series of three-month paper issued in August raised SFr 186.9m at an issue price of 99.24, to give an annual yield of 3.098 per cent.

In Amsterdam the Dutch Central Bank set seven-day special advances from September 4 to 11 at an unchanged 5.1 per cent. The allocation will be announced today, and will replace an expiring facility of Fl 2.7bn.

It is generally expected the new advances will be larger than the previous allocation in view of the market's shortage, which is expected to be around Fl 6bn, and the relatively small credit quota with a Fl 3bn ceiling on average daily commercial bank borrowings.

UK clearing bank base lending rate 10 per cent since August 7

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.3) 3 months U.S. dollars		6 months U.S. dollars	
bid 7⅞	offer 7⅞	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	8¾	One month	[illegible]
Broker loan rate	8-7¾	Two month	[illegible]
Fed. funds	6⅞	Three month	[illegible]
Fed funds at intervention	—	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]

			Three year	8.51
			Four year	8.67
			Five year	8.84
			Seven year	9.12
			10 year	9.32
			30 year	9.50

September 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.65-3.75	3.80-3.95	3.80-3.95	[illegible]	[illegible]	5.0
Paris	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	[illegible]	[illegible]	7⅞
Zurich	⅞-1⅞	3⅞-3⅞	—	[illegible]	[illegible]	—
Amsterdam	5⅞-5⅞	5⅞-5½	—	[illegible]	[illegible]	—
Tokyo	3.46875	3.71875	—	[illegible]	[illegible]	—
Milan	11⅛-12¼	12¼-12¾	—	[illegible]	[illegible]	—
Brussels	4.75	6⅞-6⅞	—	[illegible]	[illegible]	—
Dublin	9⅞-9⅞	9⅞-9⅞	9⅞-9¾	[illegible]	[illegible]	—

LONDON MONEY RATES

Sept.3	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-8	9⅞-9⅞	10-9¾	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	9⅞-9⅞	[illegible]	[illegible]	[illegible]
Local Auth'rity Deps.	9⅞	9⅞	9⅞	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	9⅞	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	9⅞-8	9⅞	9⅞	[illegible]	[illegible]	[illegible]
Company Deposits	9⅞-9½	9⅞-9⅞	9⅞-9⅞	[illegible]	[illegible]	[illegible]
Finance House Deposits	—	—	9⅞	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	9⅞	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	9⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	10⅞	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	7.15-7.10	7.20-7.15	7.50-7.55	8.05-8.00
SDR Linked Deposits	—	—	6⅞-6⅞	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞

Treasury Bills (sell); one-month 9⅞ per cent; three-months 9⅞ per cent; Bank Bills (sell): one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills: Average tender rate of discount 9.8670 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 26, 1987. Agreed rates for period September 23 to October 25 1987, Scheme I: 11.24 p.c., Schemes II & III: 11.31 p.c. Reference rate for period August 1 to August 28, 1987, Scheme IV: 10.037 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¾ per cent; three-six months 10½ per cent; six-nine months 10⅞ per cent; nine-12 months 10¾ per cent; Under £100,000 8 per cent from September 2, Deposits withdrawn for cash 5 per cent.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 2, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.14586 SDR1=$US1.29563
As of September 2, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7 5/16	7⅝
Sibor:	7⅜	7⅝

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.1424
Algeria	Dinar	4.67
Andorra	French Franc	6.0498
	Spanish Peseta	121.53
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral	2.266
Aruba	Florin	1.79
Australia	Dollar	1.3899
Austria	Schilling	12.7255
Azores	Portuguese Escudo	142.25
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Islands	Spanish Peseta	121.53
Bangladesh	Taka	31.00
Barbados	Dollar	2.0113
Belgium	Franc (c)	37.585
	Franc (f)	37.815
Belize	Dollar	2.00
Benin	C.F.A. Franc	302.49
Bermuda	Dollar	1.00
Bhutan	Ngultrum	12.96
Bolivia	Boliviano (o)	2.08
	Boliviano (f)	2.09
Botswana	Pula	1.677
Brazil	Cruzado (o) (5)	48.372
Brunei	Dollar	2.102
Bulgaria	Lev	0.88
Burkina Faso	C.F.A. Franc	302.49
Burma	Kyat	6.6325
Burundi	Franc	124.264
Cameroon Rp.	C.F.A. Franc	302.49
Canada	Dollar	1.3161
Canary Islands	Spanish Peseta	121.53
Cape Verde Islands	Escudo	72.405
Cayman Islands	Dollar	0.835
Central Africa Rep.	C.F.A. Franc	302.49
Chad	C.F.A. Franc	302.49
Chile	Peso (o)	223.14
China	Renminbi Yuan	3.722
Colombia	Peso (o)	250.80
Comoros	C.F.A. Franc	302.49
Congo People's Rep. of	C.F.A. Franc	302.49
Costa Rica	Colon	63.73
Coté d'Ivoire	C.F.A. Franc	302.49
Cuba	Peso	0.7841
Cyprus	Pound*	2.0764
Czechoslovakia	Koruna (o)	5.50
Denmark	Krone	6.9655
Djibouti Rep. of	Franc	177.721
Dominica	E. Caribbean $	2.70
Dominican Republic	Peso	3.195
Ecuador	Sucre (d)	203.50
[illegible]		
Gibraltar	Pound*	1.6443
Greece	Drachma	137.76
Greenland	Danish Krone	6.9655
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	6.0498
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, f)	2.75
Guinea Bissau	Peso (1)	650.00
Guinea Republic	Franc	340.00
	Franc (f)	300.00
Guyana	Dollar	10.00
	Dollar (a)	20.00
Haiti	Gourde	5.00
Honduras Republic	Lempira (o)	2.00
Hong Kong	Dollar	7.8085
Hungary	Forint	47.541
Iceland	Krona	38.90
India	Rupee	12.96
Indonesia	Rupiah	1642.00
Iran	Rial (o)	71.2393
Iraq	Dinar	0.3109
Irish Republic	Punt*	1.4724
Israel	New Shekel	1.596
Italy	Lira	1309.00
Jamaica	Dollar (o)	5.47
Japan	Yen	141.05
Jordan	Dinar	0.3445
Kampuchea	Riel	n.a.
Kenya	Shilling	16.0114
Kiribati	Australian Dollar	1.3899
Korea (North)	Won	0.94
Korea (South)	Won	807.40
Kuwait	Dinar	0.2802
Laos P'les D Rep.	Kip	35.00
Lebanon	Pound	282.50
Lesotho	Maloti	2.0342
Liberia	Dollar	1.00
Libya	Dinar	0.2963
Liechtenstein	Swiss Franc	1.492
Luxembourg	Luxembourg Franc	37.585
Macao	Pataca	8.0428
Madagascar Dm. Rp.	Franc(7)	1352.87
Madeira	Portuguese Escudo	142.25
Malawi	Kwacha	2.2507
Malaysia	Ringgit	2.5109
Maldive Islands	Rufiya	10.10
Mali Republic	C.F.A. Franc	302.49
Malta	Lira*	2.8986
Martinique	Franc	6.0498
Mauritania	Ouguiya	74.80
Mauritius	Rupee	13.119
Mexico	Peso (d)	1489.50
	Peso (e)	1485.60
Miquelon	French Franc	6.0498
[illegible]		
Papua New Guinea	Kina	0.8897
Paraguay	Guarani (o)	320.00
	Guarani (p)	550.00
	Guarani (d)	799.50
Peru	Inti (o) (a)	15.89
	Inti (f)	37.50
Philippines	Peso	20.55
Pitcairn Islands	N.Z. Dollar	1.6229
Poland	Zloty (o)	282.00
Portugal	Escudo	142.25
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion Isle de la	French Franc	6.0498
Romania	Leu (c)	10.09
Rwanda	Franc	79.2739
St. Christopher	E. Caribbean $	2.70
St. Helena	Pound*	1.6443
St. Lucia	E. Caribbean $	2.70
St. Pierre	French Franc	6.0498
St. Vincent	E. Caribbean $	2.70
Samoa (Western)	Tala	2.1114
Samoa (Am)	US $	1.00
San Marino	Italian Lira	1309.00
São Tome & Princip DR	Dobra	34.925
Saudi Arabia	Riyal	3.751
Senegal	C.F.A. Franc	302.49
Seychelles	Rupee	5.5838
Sierra Leone	Leone	22.50
Singapore	Dollar	2.102
Solomon Islands	Dollar	1.9861
Somali Republic	Shilling (d)	132.60
South Africa	Rand (f)	3.375
	Rand (c)	2.0342
Spain	Peseta	121.53
Spanish ports in North Africa	Spanish Peseta	121.53
Sri Lanka	Rupee	29.748
Sudan Republic	Pound (o)	2.45
	Pound (k)	2.93
	Pound (f)	4.00
Surinam	Guilder	1.785
Swaziland	Lilangeni	2.0342
Sweden	Krona	6.3595
Switzerland	Franc	1.492
Syria	Pound (o)	3.925
Taiwan	Dollar (o)	30.10
Tanzania	Shilling	67.414
Thailand	Baht	25.70
Togo Republic	C.F.A. Franc	302.49
Tonga Islands	Pa'anga	1.3899
Trinidad & Tobago	Dollar	3.60
Tunisia	Dinar	0.83
Turkey	Lira	898.74
Turks & Caicos Islands	US $	1.00
[illegible]		

n.a. Not available. (m) Market rate. *U.S. dollars per National Currency unit. (a) Parallel Rate. (o) Official rate. (b) Floating Rate. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non essential imports. (i) Floating tourist rate. (j) Public Transaction Rate. (k) Agricultural products. (l) Priority Rate. (n) Essential imports. (p) Exports. [illegible]

For further information please contact your local branch of the Bank of America.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY SEPTEMBER 3 1987					WEDNESDAY SEPTEMBER 2 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (93)	168.10	+1.2	150.31	155.07	2.38	166.15	149.29	153.49	168.10	99.92	78.47
Austria (16)	98.32	+0.4	87.92	91.66	2.24	97.88	87.95	91.82	101.62	85.53	94.21
Belgium (48)	134.29	+0.8	120.08	124.02	3.80	133.22	119.70	123.86	134.89	96.19	92.27
Canada (129)	136.81	−0.5	122.34	130.23	2.28	137.50	123.55	130.88	141.78	100.00	100.93
Denmark (39)	123.16	+0.5	110.13	115.50	2.41	122.55	110.11	115.67	124.21	98.18	93.11
France (121)	116.57	+1.8	104.23	109.75	2.56	114.53	102.91	108.42	121.82	98.39	100.28
West Germany (92)	104.29	−0.4	93.26	97.24	1.94	104.72	94.10	98.16	104.93	84.00	96.89
Hong Kong (45)	147.36	+0.3	131.77	147.62	2.37	146.87	131.97	147.20	147.36	96.89	77.89
Ireland (14)	145.31	+0.8	129.94	137.88	3.24	144.14	129.51	137.37	145.41	99.50	84.73
Italy (76)	87.71	−1.8	78.43	85.15	2.13	89.30	80.24	87.10	112.11	84.22	106.85
Japan (458)	149.67	−1.5	133.84	133.40	0.51	151.91	136.49	135.34	161.28	100.00	98.85
Malaysia (36)	168.42	−2.7	150.60	162.81	2.28	173.08	155.52	167.26	193.64	98.24	94.23
Mexico (14)	374.62	+0.9	334.99	615.82	0.49	371.20	333.54	607.97	374.62	99.72	59.44
Netherland (37)	127.48	−0.5	113.99	117.47	3.80	128.12	115.12	118.71	131.41	99.65	102.10
New Zealand (24)	128.72	+1.9	115.10	110.49	2.69	126.28	113.47	108.79	128.72	83.93	70.58
Norway (24)	177.38	+1.2	158.62	158.30	1.71	175.24	157.46	157.34	177.38	100.00	109.08
Singapore (27)	163.71	−2.3	146.39	158.35	1.54	167.57	150.57	162.25	174.28	99.29	90.93
South Africa (61)	187.41	+1.6	167.58	136.57	3.01	184.37	165.66	136.65	198.09	100.00	95.85
Spain (43)	158.99	−1.4	142.17	145.08	2.72	161.19	144.84	147.64	161.19	100.00	101.13
Sweden (33)	128.52	+0.4	114.93	120.30	1.92	128.05	115.05	120.32	130.84	90.85	93.24
Switzerland (53)	109.62	+0.6	98.02	100.82	1.64	108.95	97.89	100.54	109.62	92.01	96.28
United Kingdom (333)	153.91	+1.3	137.63	137.63	3.21	151.94	136.52	136.52	162.87	99.65	101.85
USA (589)	130.80	−0.5	116.96	130.80	2.80	131.42	118.08	131.42	137.42	100.00	105.77
Europe (929)	127.98	+0.6	114.44	117.32	2.79	127.27	114.35	117.24	128.35	99.78	100.30
Pacific Basin (683)	150.20	−1.3	134.31	134.50	0.65	152.19	136.75	136.25	158.77	100.00	97.34
Euro—Pacific (1612)	141.38	−0.6	126.43	127.66	1.42	142.30	127.86	128.69	143.65	100.00	98.52
North America (718)	131.12	−0.5	117.25	130.79	2.77	131.74	118.37	131.41	137.55	100.00	105.52
Europe Ex. UK (596)	111.89	−0.1	100.05	104.72	2.43	111.96	100.60	105.32	111.97	98.02	99.40
Pacific Ex. Japan (225)	156.77	+0.7	140.19	148.16	2.35	155.71	139.92	147.35	156.77	99.92	78.52
World Ex. US (1816)	141.87	−0.6	126.86	128.15	1.47	142.73	128.25	129.15	143.38	100.00	98.52
World Ex. UK (2072)	135.94	−0.8	121.55	128.50	1.82	136.97	123.07	129.57	138.82	100.00	101.31
World Ex. So. Af. (2344)	137.21	−0.6	122.69	129.25	1.95	138.00	124.00	130.12	139.47	100.00	101.37
World Ex. Japan (1947)	131.74	+0.0	117.80	127.29	2.76	131.79	118.42	127.59	134.03	100.00	102.53
The World Index (2405)	137.53	−0.6	122.98	129.34	1.96	138.30	124.26	130.20	139.73	100.00	101.34

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	1049	22.50	300	31.10	—	—	$464.20
GOLD C	$480	41	11.50	20	24	—	—	"
GOLD C	$500	180	8	15	17.90	10	25	"
GOLD C	$520	20	4.50	70	13	—	—	"
GOLD P	$420	—	—	10	5.50	—	—	"
GOLD P	$440	30	4.70	—	—	—	—	"
		Sep 87		Oct 87		Nov 87		
S/FL C	Fl.200	9	3.30	29	4.40	—	—	SFl.202.20
S/FL C	Fl.205	31	0.60	44	1.50	6	2.70A	"
S/FL C	Fl.210	—	—	6	0.90	30	1.30	"
S/FL C	Fl.215	—	—	2	0.20	—	—	"
S/FL P	Fl.195	—	—	54	0.90	15	1.40B	"
S/FL P	Fl.200	13	0.90	49	1.80	18	3	"
S/FL P	Fl.205	34	3	51	4.20B	1	5.90	"
S/FL P	Fl.210	2	7.50	—	—	—	—	"
S/FL P	Fl.215	100	12.30B	—	—	—	—	"
		Dec 87		Mar 88		June 88		
S/FL C	Fl.200	32	5.50	25	6.30	22	7.40	Fl.202.20
S/FL C	Fl.205	141	3.30A	66	4.40	18	5.30	"
S/FL C	Fl.210	—	—	30	2.90	—	—	"
S/FL C	Fl.215	10	1	5	2	25	2.50	"
S/FL C	Fl.220	—	—	10	1	21	1.80	"
S/FL P	Fl.190	—	—	30	2.20	—	—	"
S/FL P	Fl.195	55	2	—	—	6	5.80B	"
S/FL P	Fl.200	101	3.80	25	6.40	—	—	"
S/FL P	Fl.205	28	6.50	2	8.80	—	—	"
S/FL P	Fl.210	21	9.80B	6	12	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.54	1084	0.40	155	1.40	18	2.50A	Fl.49.20
ABN P	Fl.48	568	0.70	266	1.50	3	2.10	"
AEGON C	Fl.95	361	1.20	50	3.80	39	6	Fl.87.90
AEGON P	Fl.95	344	8	40	12	—	—	"
AHOLD C	Fl.110	53	1.60	40	4.30	2	7	Fl.103
AHOLD P	Fl.105	78	5.90B	60	6.70	—	—	"
AHOLD P	Fl.90.90	10	0.70	—	—	—	—	"
AKZO C	Fl.180	852	3.80	303	8.20A	55	12.50	Fl.171.50
AKZO P	Fl.170	222	4.50	72	8.50	2	10	"
AMEV C	Fl.60	155	2.70	717	5.30	1	7.50	Fl.60
AMEV P	Fl.60	40	2.30	29	3.50	15	4.50	"
AMRO C	Fl.85	256	4.20	18	7.30	—	—	Fl.86.60
AMRO P	Fl.80	20	0.90	210	2	—	—	"
ELSEVIER C	Fl.60	509	5.60	42	8	72	9.50A	Fl.62
ELSEVIER P	Fl.60	183	2.40	103	3.50	4	5	"
GIST-BROC.C	Fl.50	202	1	101	2.80	14	4.10	Fl.46.90
GIST-BROC. P	Fl.50	356	3.50	143	4.50	30	5.20	"
HEINEKEN C	Fl.200	210	2.40	33	6	—	—	Fl.183
HEINEKEN P	Fl.180	184	6.10	29	9	—	—	"
HOOGOVENS C	Fl.45	75	4.30B	3	7	—	—	Fl.48
HOOGOVENS P	Fl.50	134	3.50	33	5.30B	5	6.50	"
KLM C	Fl.55	241	1.40	160	3.10	12	4.80	Fl.51.40
KLM P	Fl.50	100	2.10	52	2.50	12	3.80	"
NAT.NED. C	Fl.80	208	1.10	95	3.70	17	5.20	Fl.75
PHILIPS C	Fl.55	737	0.90	479	2.40	39	3.50	Fl.51.70
PHILIPS P	Fl.55	240	3.700	45	4.90	16	5.80	"
ROYAL DUTCH C	Fl.290	1389	2	310	6.50	19	11	Fl.266
ROYAL DUTCH P	Fl.270	1056	11	235	14.50	2	15	"
ROBECO C	Fl.115	19	1	8	3.50	17	6.60	Fl.110.40
ROBECO P	Fl.110	31	2	10	3.50B	—	—	"
UNILEVER C	Fl.132	559	9.30	26	13.50	—	—	Fl.138.50
UNILEVER P	Fl.140	210	5	86	8.20B	2	12.50	"

TOTAL VOLUME IN CONTRACTS: 43,557

A=Ask B=Bid C=Call P=Put

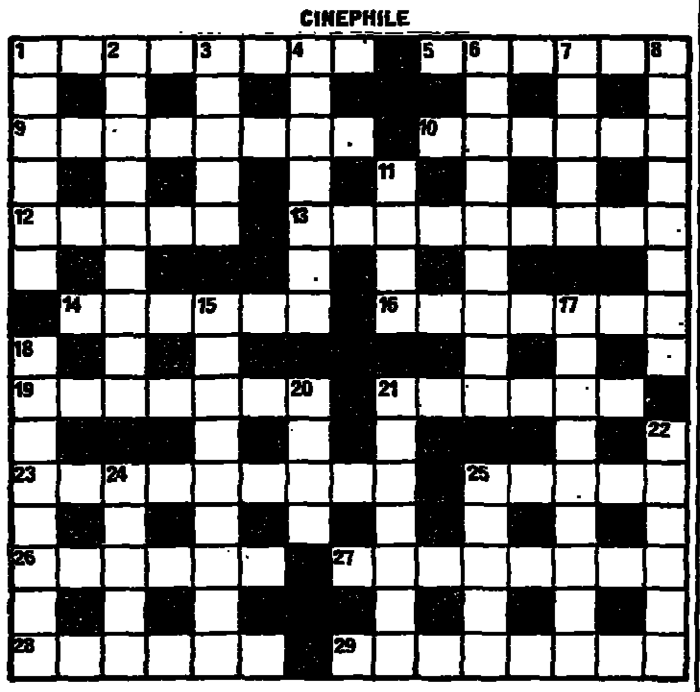
BASE LENDING RATES

	%		%		%
ABN Bank	10	• Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Int'l (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	• Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	• Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	• Hambro Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	• Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	• Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

• Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 10.5%.

FT CROSSWORD PUZZLE No. 6,421

CINEPHILE



(MM stands for the same thing wherever it is used in the clues)

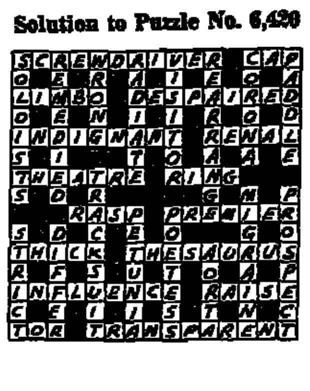
ACROSS

1 MM, miserable moggie? (8)
5 MM, mighty moustache (6)
9 MM, English accent a possibility (8)
10, 25 down MM Murderous *monster* (6,5)
12 City is in first place, we hear (5)
13 Islander (ignorantly pronounced?) put deer in fridge (9)
14 Monster: will it never stop? (6)
16 Charges around North Edinburgh street (7)
19, 25 down MM, foretop? (7)
21 MM of the (Monsieur's) medal (6)
23 Latin sees translated; they must be! (9)
25, 25 down MM, Melville's Moby (5,5)
26 Observe in two times, up and down (6)
27 Reduces price; has pence, possibly (8)
28 Protest, half dead and out of fashion (6)
29 Bun, cooked and devoured, never lost? (8)

DOWN

1 Choose the French preserve (6)
2 Very bad line for riders (6,3)
3 MM (American) is Hell (5)
4 MM, MM I get on with (3-4)
6 Enlivening in a rising, get*ting married* (9)
7 Held sway with lines (5)
8 Catch redhanded, often *repeated* (8)
11 Look both ways (4)
15, 25 down MM in "England's — and pleasant —" (9)
17 Europe under control? (9)
18 Bosses upset journalist, unable to think of anything else (8)
20 Flower cut short on platform (4)
21 MM, menagerie magnet (7)
22 MM, conceivably, takes time (6)
24, 25 down MM, male emission (5)
25 See 10 etc.

Solution to Puzzle No. 6,420



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	112.9	119.6	-1.2	1.25
(Accum Units)	118.2	125.8	-1.5	1.25
American Income	52.1	55.1	-0.2	4.00
(Accum Units)	56.7	60.8	-0.3	4.00
American Sm Cos Fd	50.5	51.7	-3.0	0.46
(Accum Units)	50.5	51.7	-3.0	0.46
British Blue Chip Fund	52.2	55.2	+0.4	2.28
(Accum Units)	52.2	58.2	+0.4	2.28
European Growth	158.0	167.1	-1.0	1.47
(Accum Units)	164.9	174.4	-1.1	1.47
European Income	85.9	90.9	-0.1	3.30
(Accum Units)	90.3	95.5	-0.1	3.30
Exempt	349.2	368.1	-0.2	2.26
(Accum Units)	552.2	566.3	-0.4	2.26
General	380.8	402.9	+2.4	1.32
(Accum Units)	636.5	673.5	+4.1	1.32
Gilt	86.7	87.1	+0.3	2.59
(Accum Units)	103.0	103.5	+0.3	7.59
Global Fund	52.0	55.0	-0.6	0.64
(Accum Units)	37.0	55.0	-0.6	0.64
High Income Fund	53.2	56.2	+0.3	4.71
(Accum Units)	54.0	57.1	+0.3	4.71
High Interest Fund	43.0	45.5	+0.0	9.87
(Accum Units)	43.4	45.9	+0.0	9.87
Income	126.1	133.4	+1.2	2.66
(Accum Units)	145.5	153.9	+1.3	2.66
International	312.0	330.1	-4.1	1.34
(Accum Units)	390.4	413.1	-5.1	1.34
Japan	213.7	226.1	-4.0	0.51
(Accum Units)	219.3	232.0	-4.2	0.51
Pacific Fund	58.3	61.6	-0.2	0.10
(Accum Units)	58.3	61.6	-0.2	0.10
Recovery	319.4	337.9	+5.7	1.32
(Accum Units)	347.2	367.4	+6.0	1.32
UK Smaller Co's Fund	55.7	58.9	+0.4	1.68
(Accum Units)	56.2	59.4	+0.4	1.68

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1NE 01-925 1277

Merlin Sept 1	627.5	635.9	---	1.08

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ 0707 45185

UK Income Fund	61.7	65.6	+0.5	4.57
Accum Units	62.4	66.3	+0.5	4.52
UK Growth Fund Acc	62.2	66.1	+0.4	1.51
Global Income Fund	49.5	52.6	-0.1	3.80
Accum Units	49.5	52.6	-0.1	3.80

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	120.1	127.8	+0.5	1.01
PM Income and Growth	106.1	112.9	+0.5	2.92
PM N American Growth	54.2	62.2	-0.4	0.36
PM European Growth	53.5	56.6	-0.2	0.54
PM Japan Growth	75.1	79.8	-1.6	0.35
PM Overseas Growth	57.7	61.3	-0.4	0.43

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010385

Holborn Comm Tst.	83.1	87.9	+0.1	0.36
Holborn Equity Income	73.2	77.4	+0.5	3.32
Holborn Equity Tst.	416.6	441.3	+4.3	2.14
Holborn European Tst.	125.7	133.0	+0.1	0.62
Holborn Gilt Tst.	207.0	215.9	+1.7	2.21
Holborn High Inc Tst	89.8	95.0	+0.9	4.54
Holborn Intl Grth Tst	125.6	132.9	-0.9	0.66
Holborn Japanese Tst	140.4	148.5	-3.6	0.04
Holborn N. Amer. Tst.	96.4	102.0	-1.1	0.47
Holborn Sm Cos Tst.	80.7	85.3	+0.5	1.36
Holborn Spec Sits Tst	105.7	111.8	+1.0	1.31
Holborn UK Growth Tst	118.3	125.1	+1.0	2.50

Quilter Management Co. Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd.	654.9	693.2	---	1.41
Quadrant Income	322.6	340.4	---	3.91
Quadrant Intl. Fund	465.3	492.4	---	1.01
Quadrant Spec. Sits.	450.0	476.2	---	1.58

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

Growth Life	245.1	260.6	+1.5	2.31
Reliance Unit Tst (Inc)	171.2	182.0	+1.3	1.45
Reliance Ut Tst (Acc)	230.4	245.0	+1.6	1.45

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	51.9	54.6	-0.1	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	328.5	349.2	-3.6	0.71
NC America (Acc)	362.1	385.2	-4.0	0.71

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)

St George's Way, Stevenage 0438 356101

Managed	441.8	465.1		—
Property	282.3	297.2		—
Equity	557.2	586.5		—
Gilt Edged	348.3	366.6		—
Deposit	205.5	216.3		—
Investment	237.3	249.7		—
International	446.0	469.5		—
Pension Fund Prices				
Managed Init.		328.5		—
Do. Accum.		405.3		—
Property Init.		246.2		—
Do. Accum.		302.7		—
Equity Init.		431.6		—
Do. Accum.		529.9		—
Gilt-Edged Init.		221.5		—
Do. Accum.		272.4		—
Guaranteed Init.		158.6		—
Do. Accum.		195.0		—
International Init.		539.4		—
Do. Accum.		662.9		—
Index Lk. Gilt Init.		135.3		—
Do. Accum.		166.4		—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	318.3	+0.2	—
Property Pens.	426.4	+0.5	—
Equity	197.1	+0.1	—
Equity Pens.	890.2	+0.1	—
Money Market	295.0	+0.2	—
Money Mkt. Pens.	530.6	+0.3	—
Deposit	238.6	+0.1	—
Deposit Pens.	381.2	+0.3	—
Managed	296.7	+0.1	—
Managed Pens.	571.7	+0.1	—
Intl. Equity	358.6	-1.3	—
Do. Pens.	582.6	-3.0	—
Intl. Managed	327.1	-0.6	—
Do. Pens.	487.5	-1.3	—
North American	134.2	-1.1	—
Do. Pens.	156.8	-1.7	—
Far East	309.0	+3.0	—
Do. Pens.	448.7	+4.2	—
Intnl. Currency	169.5	+0.0	—
Do. Pens.	218.8	+0.1	—
Index Linked	129.4	+0.1	—
S & C Managed Fd	142.0	+0.7	—
S & C Pens Mngd Fd	116.1	+0.5	—
Bell Chambers	129.7	+0.1	—
Loran & Loran	116.8	-0.1	—
Trustbank Life Funds			
Per Worldwide Rec.	169.5	-1.5	—
Per Far East Growth	222.7	-0.6	—
Per Intl Growth	164.3	-1.1	—
Per Income	175.1	+0.7	—
Per Emerging Co's	167.7	-1.8	—
Per American Growth	149.7	-1.3	—
Per European Growth	132.5	-0.3	—
Fra American & Gen	126.8	-1.0	—
Fra Capital	178.8	+0.0	—
Fra Income	188.7	+0.5	—
Fra Intl Growth	139.4	-0.9	—
Fra Japan & Gen	189.6	-1.2	—
Fra Recovery	198.7	-0.5	—

National Provident Inst.—Contd.

Far East Initial	499.5	525.8	-8.9	—
Far East	598.5	630.0	-10.1	—
Prop. Initial	143.7	151.3	-0.2	—
Prop.	172.3	181.4	-0.3	—
Fixed Int. Initial	180.9	190.5	+0.6	—
Fixed Int.	217.4	228.9	+0.8	—
Indexed Gilt Initial	101.0	106.4	-0.1	—
Indexed Gilt	120.2	126.6	-0.1	—
Deposit Initial	135.3	142.5	+0.0	—
Deposit	164.3	173.0	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	987.6	1005.2		—

Prices August 3. Next dealing September 1.

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 2JS 0603 683986

NUAM Funds				
Managed Fund	57.6	60.7		—
Stock Market Mngd Fund	59.7	62.9	-0.1	—
Equity Fund	64.3	67.7	+0.3	—
International Fund	56.1	59.1	-0.6	—
European Fund	59.9	63.1	-0.1	—
North American Fund	51.3	54.1	-0.6	—
Pacific Fund	65.8	69.3	-1.1	—
Property Fund	52.1	54.9		—
Fixed Interest Funds	48.1	50.7	+0.2	—
Index linked Sec Fund	45.6	48.0		—
Deposit Fund	51.2	53.9		—
NUAM Retirement Plans				
Mixed Fund	61.5	64.8	-0.9	—
UK Ordinary Share	72.8	76.7	-0.5	—
International Fund	58.7	61.8	-0.3	—
Property Fund	52.1	54.9		—
Fixed Interest Fund	49.7	52.4	+0.3	—
Index Linked Sec Fund	46.0	48.5	+0.1	—
Deposit Fund	53.2	56.1		—
NUAM (MP)				
Managed Fund	792.3	834.0	+0.6	—
Equity Fund	1715.2	1805.5	+8.6	—
Property Fund	324.3	341.4	+0.1	—
Fixed Interest Fund	354.9	373.6	+1.7	—
Deposit Fund	209.0	220.0		—
International Fund	145.7	153.4	-1.4	—
Index Linked Sec Fund	45.6	48.0		—

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster & Unit-Linked Plus				
Fixed Interest Fund	246.7	259.6		—
Index-Linked Sec Fund	130.1	136.9		—
Ordinary Share Fund	529.4	557.2		—
International Fund	153.0	161.0		—
Property Fund	162.4	170.9		—
Deposit Fund	166.7	175.4		—
Mixed Fund	343.8	361.8		—
Norwich Units Aug 15		1035.5		

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd

252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	154.9	163.1		—
Prop. Acc. (Gross) (z)	242.6	255.4		—
Equity (Gross) (z)	778.3	819.3	+3.1	—
Managed (Gross) (z)	516.6	543.8	+2.5	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53	.....	3.50	§6.60
50	40	Do. 6pc 28 Stb. Ass.	50xd	.....	3	§6.00
50	45	Do 4pc Mixed Ass.	50	.....	2	§4.23
66	58	Hung. '24 Ass.	64	.....	2.75	§4.30
146½	122⅞	Hydro Quebec 15pc 2011	131⅛	+½	15.00	11.26
136¼	115⅞	Iceland 14½pc Ln 2016	123¾xd	+¼	14.50	11.68
103½	94	Ireland 9¾pc '91-96	97⅞xd	+¼	9.75	10.25

AMERICANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
42	32⅞	Abbott Laboratories	37⅞	−1½	$1.00	—	1.7
40¼	24⅝	Alcoa $1	33⅞	+1¼	$1.20	—	2.2
18⅞	14	Allegheny & W $0.01	14⅞	+¼	30c	—	1.3
19⅜	8⅞	Amdahl $1	15	−¼	—	—	—
27⅞	17⅛	Amdahl 5c	25⅛	+¼	20c	—	0.5
35⅞	25⅞	Amer. Cyanamid $5	31xd	−⅛	$1.90	—	3.8
25⅛	18	Amer. Express $0.60	22xd	+⅛	$1.44	—	4.0
12⅞	10	Amer. Medical Intl. $1	10⅛	−¼	72c	—	4.2
22½	14⅞	American T. & T. $1	20⅞	.....	$1.20	—	3.7

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

151	47	Corton Beach 10p	128	+2	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	173	+3	—	—	—	—
*62	18	Eglinton Oil Ir.5p	27	-1	—	—	—	—
41	17	Do. Warrants	17	-1	—	—	—	—
186	101	Far East Res. 10p	130		—	—	—	—
83	55	Gardner (J.) 5p	83		R1.25	2.3	2.1	28.7
34	29	Honorbilt 5p	32		—	—	—	26.9
87	68	Lynx Tech. 5p	70		b—	—	—	8.0
82	17	Publishing Hldgs 5p	69	+6	—	—	—	40.0
87	45½	Theme Holdings	76		1.0	1.9	1.8	40.8
153	140	UPL Group 10p	148		12.41	2.8	2.4	—
140	111	Unit Group	140¢		R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	95	—	Fin. 13% 97/02	£105½xd	—
Craig & Rose £1	638	—	Arnotts	380	—
Finlay Pkg. 5p	112	—	CPI Hldgs	90	-5
Holt (Jos) 25p	1005	—	Carrol Inds.	175	—
IoM Stm. £1	173	—	Dublin Gas	29	+6
			Hall (R. & H.)	130	—
IRISH			Heiton Hldgs.	56xd	-2
Fund 11¼% 1988	£100¼	—	Irish Ropes	185	-30
Nat. 9¾% 84/89	£97¾	—	Unidare	390xd	-40

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	20	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	Turner Newall	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Equities rebound and bonds extend rally as fears over Japanese losses subside

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Aug 24	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* New time dealings may take place from 9.00 am two business days earlier.

The absence of any fresh dramas in either the US or Japanese markets was reassuring for UK securities yesterday. Wall Street and Tokyo finished lower but most markets reacted calmly to the Tateho Chemical affair. On Wednesday, the latter's serious financial problems turned the spotlight on the heavy investment losses being carried by many Japanese groups through excessive zaitech trading.

Given the opportunity to reassess fundamentals and recent domestic pointers, London markets adopted a more relaxed attitude towards future economic statistics. They seemed to have come to terms with bad news, and were responding to the Chancellor's recent remarks which further allayed worries over higher base rates.

Volume generally was again thin although selected issues traded in size. Leading Electricals were bought, with the exception of Racal Electronics, and many scored good gains. One leading marketmaker, with first-class Far Eastern contacts, was quietly buying stock without bidding in earnest. The house concerned strictly adheres to a policy of not commenting on its market activities.

Several other Alpha stocks rose strongly as marketmakers protected their book positions, *endeavouring not to be caught* short of stock. The flow of good corporate results continued with **Cadbury Schweppes** and **British Printing and Communication Corporation** *fulfilling* best expectations.

Institutional liquidity remained low, however, being affected by the recent glut of new issues. A new name was added to the list late yeterday when **Elders IXL** announced a firm slot in November for the planned £1bn-plus flotation of the Courage public house chain.

The FT-SE 100 share index rebounded over 25 points before turning away the highest following news that Wall Street had again been hit by a rush of futures-related sell programmes. "Footsie" closed 18.6 up at 2268.1 and Amanda Sells, technical *analyst at Chase Manhattan*, says the charts are pointing to a continuation of the upward trend, although the index could encounter resistance at around 2320.

Static performances by sterling and short-term interest rates failed to deter the bond market. An extension of the easier tone, which developed late on Wednesday, soon attracted overseas investors and some good-sized buying orders appeared. The authorities sold fresh supplies of the short tap, **Treasury 8 per cent 1991**, at 92.28 before withdrawing to await better bids.

Longer maturities recovered from being ¼ down to close with rises ranging to ⅝, while a good interest was also shown for medium life stocks. A continuing lack of funds again stifled domestic retail business.

Mr Robert Maxwell's **British Printing and Communications Corporation**, the fast expanding worldwide *communications* group, jumped 19 to 395p. The movement was in reply to record interim profits of £70.5m and a confident statement on the outlook for the full year.

The group is at an advanced stage in its plans to launch an ADR programme in the US, and Nikko Securities is sponsoring a listing for BPCC on the Tokyo Stock Exchange.

Worries that the resignation of Mr D. Hodgson, finance director *and president of* **Unigate Inc**, the group's US Food and restaurant arm, could lead to management weakness unsettled **Unigate**. The shares dipped to 379p before rallying *amid* revived bid speculation to close 5 down on balance at 384p.

Midland Bank was easily the outstanding performer in the finan*cial sector with the shares surging* ahead to close 28 higher at 480p on a turnover of 4.6m shares. Demand was triggered by widespread rumours that a stake-building operation was in operation as a prelude to a full-scale takeover bid for the bank. Dealers also reported sizeable US interest. The stake-building and *bid speculation included names like* GEC and Hongkong and Shanghai Banking. The £700m rights call by Midland had to be paid yesterday. Other clearers were a shade firmer on the day.

Merchant banks showed **Morgan Grenfell** little changed at 530p; the shares initially picked up to 536p on the interim profits which, at £47.05m, were at the top end of market expectations. **J. Rothschild Holdings** added 4 at 402p following additional details of the flotation of a 25 per cent stake in Anglo Leasing.

Excellent interim results from Sun Alliance drew widespread favourable applause from the financial press and Sun shares moved up ⅛ to £10⅝. **Guardian Royal**, whose half-year figures were less favourably received still managed to edge up 1/16 to £10 1/16. *Life issues again* mirrored current takeover speculation in the sector with TSB said to be eyeing a number of possible targets. **Pearl** rose 7 to 390p and **London and Manchester** *10 to 326p, after* 332p. In the brokers **Sedgwick** hardened 4 to 304p in front of today's interims; BZW are going for pretax profits of £94m, Savory Milln £93.5m and Wood Mackenzie £90m. The proposed acquisition of Frank Bradford, the Lloyds underwriters left **Windsor Securities** 8 easier at 118p.

Third Market newcomer **Leading Leisure** made a successful debut, the shares opening at 116p and closing at 126p compared with the *placing price of* 92p. **Sims Catering Butchers** were reintroduced to the Unlisted Securities Market and closed at 450p compared with *the suspension price of 328p*.

Selected Brewery shares staged a useful revival, *but activity* overall was at a low level. Among the relatively briskly traded stocks, **Scottish and Newcastle** (3m) rose 4½ to 257½p and **Allied Lyons** (3.1m) gained 3 to 418p. Elsewhere, **H. F. Bulmer**, an old take-over *favourite*, advanced 12 to 226p.

Leading Buildings passed an uneventful session. Turnover was relatively modest, but **Tarmac** picked up 14 at 298p, while **BPB Industries** rose 13 to 385p reflecting a squeeze on bear positions. **Blue Circle** were a few pence better at 484p in front of today's halftimer. **AMEC** hardened a penny to 353p following a *broker's* recommendation, while **Tayler Woodrow**, which disappointed the market with interim profits at the lower end of market estimaes earlier in *th week, improved a penny* to 415p. Recently dull **Magnet** picked up 3 at 276p and **Meyer International** firmed 6 to 406p. Elsewhere, **Federal Housing** rose 3 to *278p following* good interim figures, while **Gibbs and Dandy** added a like amount to 177p awaiting today's half-timer. **Sharpe and Fisher** added 3 to 248p in reply to increased half-year profits. **Polypipe** found support at 395p, up 9, while **F. Copson** gained 22 to 325p in a restricted market.

Among Chemicals, **Yorkshire** featured with a rise of 10 at 324p. **Brent** were also in demand at 214p, up 12, while **Foseco** put on 6 at 301p. **Sutcliffe Speakman**, in whch Australia's Elders Resources recently acquired a 9.9 per cent stake as part of a joint venture programme, rose *10 afresh to 196p*. Publicity given to numerous brokers bullish circulars in the sector, the *removal of* dearer money trends and a continuing bear squeeze gave another sizeable boost to the stores sector. *Dixons featured with a 11 leap to* 358p, and **Ratners** were 11 higher at 361p. A Wood Mackenzie buy recommendation triggered strong demand for **GUS 'A'**—up ¼ to £12⅝. **Storehouse** fell 11 more to 369p—as the much-heralded bid failed to appear. News that **Ward White had sold is 29.14 per cent stake in Stead and Simpson 'A' to Ron Brierley's Tozer International for £3.6m saw Ward White up 4 to 495p and Stead and Simpson 'A' up** 6 to 132p. The 21 per cent profits jump boosted **Lambert Howarth** 20 to 395p while more than doubled earnings boosted **European Home Products** 15 to 340p. **Leslie Wise**, formerly Ladies Pride were *quoted at 106p*.

A generally firm showing by electricals included an outstand ing feature in **BICC** which raced up 18 to 402p following the $96m acquisition announced on Wednesday and ahead of the interim results scheduled for September 9. **GEC** put on 5½ to 212½p on a turnover of 5.8m shares while **Cable & Wireless** remained a firm market to close another 6 better at 436p. **British Telecom**, due to announce first quarter figures on September 9, were 2½ to the good at 269p, after more than 13m shares changed hands. **Amstrad** were finally 4 up on the session at 175p ahead of late news of the acquisition of VIDCO, of Texas, USA, for $7.55m, made up of $2m in cash and 2.22m Amstrad shares. The 64 per cent leap in preliminary pre-tax profits left **Personal Computers** 18 higher at 245p, while **Arlen** gained 12 to 202p in response to Press mention. Acquisition news also lifted **Britannia Security** which *closed 13 up at 235p*.

Leading Engineers rarely strayed far from previous closing levels. Elsewhere, **Newage Transmissions**, reflecting the good *interim results, moved up 8 to* 168p. Occassional demand ahead of next Friday's half-yearly results left **Delta** 7 better at 297p. Inclined easier at one stage, **Howden Group** rallied to finish unaltered on the day at 127½p following the £15m order for two tunnel boring machines for the main Channel Tunnel.

Food Manufacturers attracted considerable interest as the reporting season got underway. **Cadbury Schweppes** produced an *impressive set of half-time figures*—profits marginally exceeded best market estimates—and the price rose to 276p prior to closing a net 4 up at 274p. **Rowntree Mackintosh**, reporting next Thursday, firmed 5 to 572p, while **Dalgety** attracted good support ahead of the annual figures due on September 14 and closed 4 higher at 382p. Revived institutional demand on re-rating hopes boosted **Associated British Foods** 9 *to 356p, while persistent support* lifted **Northern Foods** a further 4 to 298p. Second-line stocks featured **Cheshire Wholefoods**, some 18 higher at 273p following a recommended 280p per share cash offer from Dutch group Essanen, a subsidiary of Koninklijke Wessanen. **Bernard Matthews** met with support ahead of results due shortly and rose 12 to 158p.

Reports of a fresh influx of overseas visitors gave a boost to the *Hotel sector. There was steady* inquiry for **Grand Metropolitan** which moved up 4 to 539p and for **Trusthouse Forte**, finally 5 higher at 252p, the latter on talk of a *broker's recommendaton. Elsewhere*, **Mount Charlotte** gained 6 to 160p following the Kuwait Investment Office stake news. **Queens Moat Houses** added 3½ to 113½p on speculative buying, although dealers were again sceptical about the possibility of a bid for the company emerging.

BTR, scheduled to reveal half-year results next Wednesday, were among the few actively traded stocks, closing 7 dearer at 344p in a volume of some 4.2m shares.

Favourable comment on the interim figures prompted renewed buying of **Williams Holdings** which moved ahead smartly to close 36 higher at 959p. **Reed International** also featured with a gain of 24 at 543p amid expansion hopes, while **Appledore** jumped 56 to 285p on the announcement of a *bid approach. Still reflecting the* good interim figures, **Stat-Plus** advanced 10 more to 330p. **Pearson** were noteworthy for a rises of 15 at 768p, while USM quoted **High-Point Services** were good again at 459p, up 14. **Portals**, down to 393p on the lower interim earnings, rallied to close only 3 off on balance at 413p as the company revealed a stakeholding of 3.4 per cent held by IEP Securities.

Trilion, the USM-quoted company which provides outside *broadcasting facilities and pro*duces light entertainment, drama and music programmes, gained 9 to 169p on news that Brent Walker had acquired a 27.3 per cent stake *in the company from Charterhall*, the oil exploration company.

William Collins eased 5 more to 903p with the "A" shares down 15 *further at 738p in the* wake of the company's £95m rights issue to finance the acquisition of a 50 per cent stake in Harper and Row.

BAT Industries, still responding to the better-than-expected interim figures improved afresh to close 9 higher at 661p.

The deteriorating situation in *the Gulf failed to trigger* any substantial upturn in crude oil prices—Brent for October delivery slid 30 cents a barrel at one point before steadying to end the day around 10 cents lower on balance—but oil shares continued to respond to light buying interest.

British Gas hardened 1½ to 171½p on a turnover of over 9.6m shares while **BP**, where 5.4m shares changed hands, added 4 to 371½p, after 373p. **Britoil**, up to 330p earlier in the day, dipped late and closed *only* 2 harder at 325½p. **Enterprise** were 5 up at 307p and **Lasmo** put on 8 to 371p. A 4m turnover in **Ultramar**, up 4 to 274p, was largely made up of two sizable trades *of 1m-plus* at 268p and 269. The blocks of shares were not thought to have been bought by Ron Brierley who holds a near 20 per cent stake in the company. Elsewhere **Clyde** *moved up 2½ to* 125p on the French oil discovery, while strong support from BZW lifted **Caler Gas** 8 to 441p.

Overseas Traders were a strong sector, *responding to a favourable* review by Chase Manhattan Securities. Analyst Mike Smith highlights the sharp rise in commodity prices, which should have further to run, growth in East Asian economies and changes within the management style. All are thought to be encouraging signs for strong profits growth. ***Harrisons and Crosfield*** jumped 27 to 693p, **Inchcape** 22 to 819p and **Polly Peck** 21 to 368p. Among smaller-priced issues, **Boustead** improved 2 to to 63p.

Traded Options

Business in traded options expanded further with 29,379 calls and 12,717 puts giving a total turnover of 42,096 contracts.

Traditional Options

- **First dealings Sept 1**
- **Last dealings Sept 18**
- **Last declaration Dec 3**
- **For Settlement Dec 14**

For rate indications see end of London Share Service

Call options were taken out in **Central and Sheerwood, Medicare, Tozer Kemsley, NMW Computers, Thames Mining, Amstrad, Control Securities, Astra Holdings, Rotaprint, Aran Energy, International Signal, Greenwich Resources, Polly Peck, British Petroleum, Hambros Bank, Barratt Developments, Amber Day, Bula Resources, Abaco, Regalian Properties, Marks and Spencer, *Kelsey Industries*, Pentland Industries, National Home Loans** and **Rand London**. A put was arranged in **Control Securities**, while double options were transacted in **Aerospace Engineering and Windsmoor**.

FINANCIAL TIMES STOCK INDICES

	Sep. 3	Sep. 2	Sep. 1	Aug. 28	Aug. 27	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	86.00	85.66	†85.33	85.05	84.96	88.98	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.20	92.24	92.02	92.58	92.77	95.00	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1774.5	1763.2	1778.9	1759.8	1755.1	1324.6	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	452.8	444.9	438.2	431.5	435.6	283.5	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.26	3.28	3.25	3.28	3.28	4.18				
Earnings Yld.%(full)	8.06	8.06	7.99	8.06	8.05	9.57				
P/E Ratio (net) (*)	15.23	15.25	15.38	15.24	15.26	12.83				
SEAQ Bargains (5 pm)	33,061	29,106	29,790	28,350	30,014	—				
Equity Turnover (£m)	—	1320.40	1066.32	754.42	224.82	583.92				
Equity Bargains	—	35,030	36,996	31,421	36,917	22,293				
Shares Traded (ml)	—	—	362.6	393.4	432.3	253.8				

S.E. ACTIVITY

Indices	Sep. 2	Sep. 1
Gilt Edged Bargains	123.6	113.7
Equity Bargains	227.0	239.7
Equity Value	2668.9	2155.3
5-Day Average		
Gilt Edged Bargains	110.7	2108.7
Equity Bargains	229.5	236.9
Equity Value	2151.2	106.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1776.6	1779.0	1783.6	1780.3	1779.0	1779.7	1780.7

Day's High 1783.9 Day's Low 1769.8. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.05(†Corrected figure)

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (67)

AMERICANS (1), CANADIANS (1), BREWERS (1), BUILDINGS (1), CHEMICALS (2), STORES (2), ELECTRICALS (6), ENGINEERING (4), FOODS (1), HOTELS (1), INDUSTRIALS (11), LEISURE (6), MOTORS (2), NEWSPAPERS (1), PAPERS (1), PROPERTY (2), TRUSTS (11), OVERSEAS TRADERS (2), PLANTATIONS (2), MINES (8), THIRD MARKET (1).

NEW LOWS (2)

BANKS (1), MCorp, TRUSTS (1), Liberty All-Star.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	3,000			Ladbroke	794	439	+4
Allied Lyons	3,000	418	+3	Land Securities	498	554	+9
Amstrad	2,000	175	+4	Legal & Gen.	1,300	326	+7
Argyll Group	620	424	−2	Lloyds Bank	1,300	353	—
Assoc. Brit. Foods	346	356	+9	Lonrho	848	305	+5½
BAT	4,000	661	+9	Lucas	304	724	+2
BET	1,400	276	−1	MEPC	644	535	+10
BICC	1,900	402	+18	Marks & Spencer	850	233	−1
BOC	430	537	+1	Midland Bank	4,600	480	+28
BPB Inds	1,100	385	+13	Natwest Bank	572	733	−5
BPCC	5,000	395	+19	Next	2,100	333	+13
BTR	4,100	344	+7	Pearson	975	697	+15
Barclays	380	563	−2	P & O	258	697	+1
Bass	535	939	+10	Pilkington Bros.	1,500	292	—
Beecham	2,000	530	−1	Plessey	8,000	187½	+2½
Blue Circle	596	484	+4	Prudential	172	£10¼	+1/16
Boots	983	307	−1	Racal	1,700	305	+1
Brit. Airways	6,000	188	−4	Rank Org.	5,400	695	+10
Brit. Aero	1,300	504	+4	RHM	268	327	—
Brit. & Comm.	716	487	−½	Reckitt & Col	122	£11 1/16	−1/16
British Gas	9,600	171½	+1½	Redland	295	517	+1
Britoil	4,600	325½	+2	Reed Intl.	1,300	543	+24
BP	5,400	371½	+4	Reuters	508	867	+5
Brit. Telecom	12,000	269	+2½	RMC	520	488	+3
Bunzl	6,200	238	−1	RTZ	1,600	£13 1/16	+7/16
Burton	1,200	291	+1	Rolls-Royce	16,000	116	+5
Cable & Wire	6,300	436	+6	Rowntree	329	572	+5
Cadbury Schwps	9,100	274	+4	Ryl Bank Scotland	655	385	+1
Coats Viyella	1,200	364	+10½	Royal Insurance	1,600	548	−4
Comm. Union	3,000	361	+4	STC	6,500	295½	+7½
Cons. Gold	1,900	£14⅝	+⅜	Saatchi & Saatchi	359	655	−6
Cookson	1,100	831	+16	Sainsbury	247	254	—
Courtaulds	259	469	+5½	Scott & Newcastle	3,000	257½	+4½
Dee Corpn	3,400	232	+2	Sears	2,600	163½	—
Dixons Group	5,300	358	+11	Sedgwick	419	304	+4
English China Clays	330	481	+4	Shell Trans.	1,800	£13¼	—
Fisons	1,100	353½	−½	Smith & Nephew	3,500	168½	−2
Gen. Accident	384	£10¼	+1/16	Standard Chart	274	815	+3
Gen. Elect	5,800	212½	+5½	Storehouse	2,300	369	−11
Glaxo	920	£16 9/16	−1/16	Sun Alliance	304	£10⅝	+⅛
Globe Investment	47	179	+1	TSB	2,200	134	+2
Granada	369	329	+4	Tarmac	2,300	293	+9
Grand Met	1,100	539	+4	Tesco	1,600	186	—
GUS "A"	672	£12⅝	+¼	Thorn EMI	768	662	+2
Guardian R.E.	743	£10 1/16	+1/16	Trafalgar House	519	360	+1
GKN	373	391½	+½	T'house Forte	1,900	252	+5
Guinness	1,200	355	+3	Ultramar	3,900	274	+4
Hammerson	553	653	+13	Unigate	3,200	384	−5
Hanson Trust	4,200	187	—	Unilever	2,100	623	−3
Hawker Sidd.	683	593	−9	United Biscuits	1,100	318	+1
Hillsdown Hldgs.	3,400	325	+1	Wellcome	561	452	−1
ICI	1,000	£15 7/16	+1/16	Whitbread "A"	1,000	343	+6
Jaguar	751	546	+2	Woolworth	1,200	361	+10

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	96	16	1
Corporations, Dominion and Foreign Bonds	30	4	22
Industrials	589	278	713
Financial and Properties	231	81	297
Oils	34	19	62
Plantations	4	3	7
Mines	77	27	86
Others	56	114	60
Totals	1,117	542	1,248

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thursday September 3 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Weds Sept 2 Index No.	Tues Sept 1 Index No.	Fri August 28 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	958.98	+1.1	7.17	2.86	17.56	14.50	948.72	953.86	948.11	712.93
2	Building Materials (30)	1204.35	+1.2	7.41	2.86	16.81	17.82	1190.46	1202.41	1181.18	820.58
3	Contracting, Construction (33)	1711.26	+0.4	7.06	2.82	18.96	20.05	1705.21	1705.41	1709.02	1263.04
4	Electricals (12)	2476.85	+1.0	4.87	2.74	26.50	41.07	2452.18	2444.73	2431.18	1930.09
5	Electronics (35)	2022.32	+1.5	7.96	2.46	16.38	33.73	1992.95	2019.04	2016.55	1528.22
6	Mechanical Engineering (59)	520.71	+0.6	7.73	3.24	16.29	8.99	517.84	519.27	518.81	400.40
8	Metals and Metal Forming (7)	570.33	+1.1	6.75	2.82	17.87	6.86	563.87	558.94	557.15	353.56
9	Motors (14)	385.50	+0.7	7.58	2.85	15.45	5.40	382.80	385.17	383.18	287.73
10	Other Industrial Materials (21)	1655.21	+1.6	5.76	3.00	20.92	24.27	1629.03	1629.51	1612.95	1322.30
21	CONSUMER GROUP (183)	1303.24	+0.7	6.13	2.62	20.85	16.52	1294.25	1304.86	1295.50	954.39
22	Brewers and Distillers (22)	1167.28	+0.9	8.03	3.06	15.77	15.79	1156.43	1156.66	1154.94	948.17
25	Food Manufacturing (24)	1008.18	+0.5	6.94	3.04	18.70	15.60	1002.74	1010.70	1004.40	717.35
26	Food Retailing (16)	2407.59	+0.3	6.00	2.41	22.20	36.46	2400.57	2415.16	2401.45	1980.28
27	Health and Household Goods (10)	2465.51	−0.4	4.14	1.62	28.22	16.41	2474.69	2520.77	2498.06	1567.54
29	Leisure (31)	1375.14	+1.1	6.01	3.21	20.78	24.25	1360.71	1360.76	1358.23	937.11
31	Packaging & Paper (15)	683.27	+0.6	5.97	2.59	22.17	8.51	679.35	695.23	692.83	489.72
32	Publishing & Printing (13)	4716.67	+2.8	4.39	3.01	29.22	59.63	4586.49	4574.50	4561.46	2583.38
34	Stores (36)	1065.07	+0.9	6.64	2.72	20.45	13.30	1056.01	1066.74	1051.38	920.91
35	Textiles (16)	819.49	+1.7	7.56	2.73	15.36	11.83	805.77	808.54	801.59	541.41
40	OTHER GROUPS (89)	1130.69	+0.7	7.60	3.14	16.44	18.12	1123.25	1132.07	1128.05	794.64
41	Agencies (18)	1694.57	+0.5	4.03	1.41	32.71	14.64	1686.45	1698.86	1693.10	0.0
42	Chemicals (21)	1464.72	+0.4	6.71	3.12	18.24	31.40	1458.58	1467.69	1456.69	1002.76
43	Conglomerates (12)	1442.52	+0.4	7.19	3.26	15.90	20.26	1437.21	1449.15	1444.41	0.0
45	Shipping and Transport (12)	2248.78	+0.1	7.15	3.54	18.61	39.02	2245.70	2258.88	2252.40	1536.38
47	Telephone Networks (2)	1077.40	+1.0	9.41	3.75	14.17	18.98	1066.35	1083.69	1083.05	800.52
48	Miscellaneous (24)	1657.68	+1.1	8.36	2.82	14.34	21.14	1640.40	1638.17	1631.75	1091.78
49	INDUSTRIAL GROUP (483)	1182.34	+0.8	6.80	2.83	18.58	16.81	1173.13	1181.80	1174.86	860.26
51	Oil & Gas (17)	2242.99	+0.7	7.37	4.21	16.79	56.53	2227.11	2270.46	2223.52	1381.41
59	500 SHARE INDEX (500)	1272.39	+0.8	6.89	3.03	18.29	20.24	1262.61	1274.21	1263.89	904.76
61	FINANCIAL GROUP (118)	818.98	+0.8	—	3.73	—	16.87	812.83	815.74	807.92	621.89
62	Banks (8)	817.03	+0.6	16.34	4.76	8.09	25.65	812.31	817.68	814.08	683.71
65	Insurance (Life) (9)	1106.87	+1.0	—	3.86	—	21.09	1095.93	1089.42	1070.44	907.73
66	Insurance (Composite) (7)	620.09	+0.5	—	4.45	—	13.39	617.17	615.57	603.21	492.29
67	Insurance (Brokers) (8)	1244.58	+0.4	8.94	4.55	14.31	26.47	1240.06	1250.50	1240.98	1194.34
68	Merchant Banks (11)	492.80	+0.3	—	2.76	—	6.92	491.10	494.87	495.03	341.38
69	Property (47)	1259.29	+1.2	3.79	2.36	34.05	13.34	1244.29	1255.42	1240.34	783.41
70	Other Financial (28)	558.22	+0.9	5.98	2.74	21.19	7.91	553.35	553.31	552.21	352.91
71	Investment Trusts (91)	1131.73	+0.9	—	2.14	—	13.02	1121.13	1135.81	1133.57	809.79
81	Mining Finance (2)	677.92	+2.9	4.98	2.45	23.87	6.79	658.73	651.28	633.85	292.26
91	Overseas Traders (10)	1215.58	+2.9	7.46	3.88	15.92	29.58	1180.94	1182.38	1182.51	659.60
99	ALL-SHARE INDEX (721)	1156.56	+0.8	—	3.10	—	19.00	1147.84	1156.31	1146.69	823.75

	Index No.	Day's Change	Day's High	Day's Low	Sept 2	Sept 1	August 28	August 27	August 26	Year ago
FT-SE 100 SHARE INDEX ‡	2268.1	+18.6	2275.2	2260.0	2249.5	2272.8	2249.7	2245.8	2249.6	1670.7

FIXED INTEREST

	PRICE INDICES	Thur Sept 3	Day's change %	Weds Sept 2	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.86	+0.19	120.62	—	7.48
2	5-15 years	134.70	+0.51	134.02	—	9.66
3	Over 15 years	142.90	+0.58	142.08	—	9.16
4	Irredeemables	156.31	+0.54	155.47	—	8.81
5	All stocks	132.45	+0.42	131.89	—	8.90
	Index-Linked					
6	5 years	119.81	−0.04	119.86	—	2.18
7	Over 5 years	112.99	−0.12	113.12	—	2.40
8	All stocks	113.38	−0.11	113.51	—	2.37
9	Debentures & Loans	114.23	−0.11	114.36	—	6.93
10	Preference	84.35	−0.11	84.44	—	3.80

	AVERAGE GROSS REDEMPTION YIELDS		Thur Sept 3	Weds Sept 2	Year ago (approx.)
	British Government				
1	Low	5 years	9.49	9.55	8.38
2	Coupons	15 years	9.78	9.84	9.24
3		25 years	9.63	9.69	9.26
4	Medium	5 years	10.27	10.36	9.59
5	Coupons	15 years	10.03	10.11	9.56
6		25 years	9.85	9.91	9.45
7	High	5 years	10.34	10.42	9.68
8	Coupons	15 years	10.22	10.30	9.71
9		25 years	9.86	9.93	9.57
10	Irredeemables†		9.74	9.80	9.24
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.34	3.32	3.45
12	Inflat'n rate 5%	Over 5 yrs	3.99	3.98	3.44
13	Inflat'n rate 10%	5 yrs	3.25	3.23	2.17
14	Inflat'n rate 10%	Over 5 yrs	3.98	3.97	3.28
15	Debs &	5 years	11.38	11.37	10.13
16	Loans	15 years	11.38	11.36	10.37
17		25 years	11.38	11.36	10.42
18	Preference†		10.85	10.84	10.82

‡Opening index 2260.0; 10 am 2270.9; 11 am 2270.4; Noon 2274.5; 1 pm 2270.8; 2 pm 2270.1; 3 pm 2271.5; 3.30 pm 2271.6; 4 pm 2274.1

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGES: Babcock International (6) and Stewart Wrightson (67) have been deleted. V.P.I. (41) has been inserted.
NAME CHANGES: Marlborough Technical Management (42) has become MTM. Lee Cooper (35) has become Vivat Holdings.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*422)	390	45	53	65	7	12	17
	420	23	35	48	17	25	30
	460	7	20	30	45	50	55
Brit. & Comm. (*487)	460	48	65	80	12	18	22
	500	25	42	57	22	32	38
	550	7	20	33	63	68	70
Brit. Airways (*190)	190	11	—	[illegible]	[illegible]	[illegible]	[illegible]
	200	7	20	[illegible]	[illegible]	[illegible]	[illegible]
	220	3½	14	[illegible]	[illegible]	[illegible]	[illegible]
British Gas (*172)	165	14	22	[illegible]	[illegible]	[illegible]	[illegible]
	180	6½	14½	[illegible]	[illegible]	[illegible]	[illegible]
	200	2	7	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*373)	330	50	66	[illegible]	[illegible]	[illegible]	[illegible]
	360	29	44	[illegible]	[illegible]	[illegible]	[illegible]
	390	14	27	[illegible]	[illegible]	[illegible]	[illegible]
Britoil (*327)	300	38	51	[illegible]	[illegible]	[illegible]	[illegible]
	330	21	33	[illegible]	[illegible]	[illegible]	[illegible]
	360	9	22	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*1435)	1300	180	235	[illegible]	[illegible]	[illegible]	[illegible]
	1350	140	205	[illegible]	[illegible]	[illegible]	[illegible]
	1400	110	175	[illegible]	[illegible]	[illegible]	[illegible]
	1450	90	150	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*471)	460	33	54	[illegible]	[illegible]	[illegible]	[illegible]
	500	15	32	[illegible]	[illegible]	[illegible]	[illegible]
	550	6	18	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*361)	300	66	77	[illegible]	[illegible]	[illegible]	[illegible]
	330	39	53	[illegible]	[illegible]	[illegible]	[illegible]
	360	18	33	[illegible]	[illegible]	[illegible]	[illegible]
	390	6	18	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire (*436)	390	57	75	[illegible]	[illegible]	[illegible]	[illegible]
	420	37	55	[illegible]	[illegible]	[illegible]	[illegible]
	460	16	30	[illegible]	[illegible]	[illegible]	[illegible]
G.E.C. (*214)	200	22	31	[illegible]	[illegible]	[illegible]	[illegible]
	220	9	20	[illegible]	[illegible]	[illegible]	[illegible]
	240	3	11	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*544)	500	55	73	[illegible]	[illegible]	[illegible]	[illegible]
	550	24	42	[illegible]	[illegible]	[illegible]	[illegible]
	600	6	22	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*1547)	1450	127	175	[illegible]	[illegible]	[illegible]	[illegible]
	1500	90	140	[illegible]	[illegible]	[illegible]	[illegible]
	1550	58	110	[illegible]	[illegible]	[illegible]	[illegible]
Land Securities (*554)	500	65	78	[illegible]	[illegible]	[illegible]	[illegible]
	550	28	50	[illegible]	[illegible]	[illegible]	[illegible]
	600	9	27	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spen. (*234)	220	22	30	[illegible]	[illegible]	[illegible]	[illegible]
	240	10	19	[illegible]	[illegible]	[illegible]	[illegible]
	260	5	11	[illegible]	[illegible]	[illegible]	[illegible]
Rolls-Royce (*117)	100	23	27	[illegible]	[illegible]	[illegible]	[illegible]
	110	16	21	[illegible]	[illegible]	[illegible]	[illegible]
	120	9	17	[illegible]	[illegible]	[illegible]	[illegible]
	130	5	12	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*1377)	1350	70	123	[illegible]	[illegible]	[illegible]	[illegible]
	1400	48	100	[illegible]	[illegible]	[illegible]	[illegible]
	1450	28	80	[illegible]	[illegible]	[illegible]	[illegible]
	1500	18	60	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar House (*360)	360	18	30	[illegible]	[illegible]	[illegible]	[illegible]
	390	7	18	[illegible]	[illegible]	[illegible]	[illegible]
	420	3	10	[illegible]	[illegible]	[illegible]	[illegible]
	460	2	5	[illegible]	[illegible]	[illegible]	[illegible]
TSB (*134)	120	17	—	[illegible]	[illegible]	[illegible]	[illegible]
	130	9½	14	[illegible]	[illegible]	[illegible]	[illegible]
	140	4	10	[illegible]	[illegible]	[illegible]	[illegible]
Woolworth (*363)	330	—	55	[illegible]	[illegible]	[illegible]	[illegible]
	350	27	—	[illegible]	[illegible]	[illegible]	[illegible]
	360	—	—	[illegible]	[illegible]	[illegible]	[illegible]
	375	15	32	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*944)	900	70	93	[illegible]	[illegible]	[illegible]	[illegible]
	950	43	65	[illegible]	[illegible]	[illegible]	[illegible]
	1000	20	43	[illegible]	[illegible]	[illegible]	[illegible]
GKN (*393)	360	44	58	[illegible]	[illegible]	[illegible]	[illegible]
	390	24	41	[illegible]	[illegible]	[illegible]	[illegible]
	420	13	30	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*547)	500	58	85	[illegible]	[illegible]	[illegible]	[illegible]
	550	27	52	[illegible]	[illegible]	[illegible]	[illegible]
	600	10	30	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Barclays (*566)	550	52	70	[illegible]	[illegible]	[illegible]	[illegible]
	600	23	45	[illegible]	[illegible]	[illegible]	[illegible]
	650	12	25	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bk (*483)	448	60	77	[illegible]	[illegible]	[illegible]	[illegible]
	460	—	—	[illegible]	[illegible]	[illegible]	[illegible]
	485	32	52	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*136)	120	24	30	[illegible]	[illegible]	[illegible]	[illegible]
	130	17	23	[illegible]	[illegible]	[illegible]	[illegible]
	140	12	18	[illegible]	[illegible]	[illegible]	[illegible]
Brit Aero (*504)	460	60	78	[illegible]	[illegible]	[illegible]	[illegible]
	500	35	55	[illegible]	[illegible]	[illegible]	[illegible]
	550	17	33	[illegible]	[illegible]	[illegible]	[illegible]
BAT Inds (*654)	600	75	95	[illegible]	[illegible]	[illegible]	[illegible]
	650	43	65	[illegible]	[illegible]	[illegible]	[illegible]
	700	22	42	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Telecom (*270)	260	25	36	[illegible]	[illegible]	[illegible]	[illegible]
	280	16	26	[illegible]	[illegible]	[illegible]	[illegible]
	300	6	17	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Schweppes (*273)	260	25	36	[illegible]	[illegible]	[illegible]	[illegible]
	280	14	24	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Guinness (*356)	330	38	48	57	8	15	18
	360	19	32	40	20	30	32
	390	9	20	—	40	45	—
Ladbroke (*439)	420	—	50	60	—	20	25
	443	—	—	—	25	—	—
	460	—	30	40	37	42	47

September 3. Total Contracts 42,096. Calls 29,379. Puts 12,717. FT-SE Index Calls [illegible]. Puts [illegible].

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
£110	F.P.	18/9	121	111	Adscene	113		12.5	1.9	3.0	23.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Sep. 3	Price Sch%	+ or −
Creditanstalt	2125.00	......
Goesser	3090.00	......
Interunfall	12,300.00	......
Jungbunzlauer	8600	−80
Laenderbank	1930.00	−20
Perlmooser	720.00	−5
Steyr-Daimler	123.00	......
Veitscher Mag	796.00	−38

BELGIUM/LUXEMBOURG

Sep. 3	Price Frs.	+ or −
B.B.L.	3330	......
Banque Gen. Du. L.	14875	......
Bank Int. A	14300	......
Bekaert B	12250	+100
Ciment CBR	6300	−10
Cockerill	185	+6
Colruyt	11675	+75
Delhaize	4580	+30
EBES	4960	−40
Fabrique Nat	1500	......
GB Inno BM	1370	−2
GBL (Brux) L	4345	−5
Generale Bank	6500	......
Gevaert	8900	......
Hoboken	8590	−60
Intercom	4080	+20
Kredietbank	4640	−50
Pan Holdings	13400	......
Petrofina	13975	−50
Raffinerie Tirle	1800	......
Royale Belge	6250	−10
Soc Gen Belge	3890.00	+40
Sofina	15300	+25
Solvay	14600	−50
Stanwick Intl.	550	......
Tractebel	8050	+30
UCB	11025	+50
Wagons Lits	5720	......

DENMARK

Sep. 3	Price Kr %	+ or −
Baltica Skand	1060.00	−20
Cop Handelsbank	280.00	−3
D. Sukkerfab.	319.00	+3
Den Danske Bank	372	+3
East Asiatic	208.00	+1
Forenede Brygg	995	+15
GNT Holding	245.00	−1
I.S.S.B. Systems	850.00	−15
Jyske Bank	520.00	−5
Novo Inds.*	221.00	......
Privatbanken	280.00	−3
Sophus Berendsen	1000.00	+15
Superfos	241.00	+3

FINLAND

Sep. 3	Price Mka	+ or −
Amer	248	+1.5
KOP	53.15	−0.1
Kone	239.5	−2.5
Finnish Sugar	85.05	−0.2
Kymmene	141.5	+2
Nokia	235	+5.5
Pohjola 'B'	112	−1.5
Rauma-Repola	32	+0.5
Stockmann 'B'	271.5	......
UBF 'C'	34.5	−0.55
Utd. Paper	154.5	+2.5
Wartsila (s11)	245.5	......

FRANCE

Sep. 3	Price Frs.	+ or −
Emprunt 4½% '73	1900	+36
Emprunt 7% 1973	9065	+20
Accor	507	−1
Agence Havas	589	+32
Air Liquide	685	−11
Alcatel	2475	+15
BIC	770	+2
BNP (Cert. Inv.)	540	......
Bongrain	2980	+30
Bouygues	1251	+11
BSN Gervais	5330	+80
Carrefour	3595	+59
Club Mediterranee	678	+17
Cie Bancaire	765	+8
Cofimeg	340	+5
CGE	338	......
Damart	3295	+60
Darty	510	+14
Dumez S.A.	1160	+20
Eaux (Cie Gen)	1370	+36
Elf-Aquitaine	377	−2
Essilor	3935	+5
Gen. Occidentale	1132	+33
Imetal	185	+1
Lafarge Coppee	1716	+21
L'Oreal	4020	+110
Legrand	3050	+70
Maisons Phenix	64	+3
Matra S.A.	2250	+15
Michelin B.	350	+9
Midi (Cie)	2325	+6
Moet-Hennessy	2970	+70
Moulinex	76	......
Nord Est	167	−0.8
Paribas	435	−1
Pernod Ricard	1020	+20
Perrier	912	......
Petroles Fra	441	+3
Peugeot S.A.	1654	+79
Printemps Au	743	+15
Radiotech	1714	+42
Redoute	3368	+18
Roussel-Uclaf	1538	−1
St. Gobain	495	+5
Sefimeg	430	−7
Skis Rossignol	1220	+10
Telemech Elect	3450	+51
Thompson (CSF)	1345	+45
Valeo	696	+18

GERMANY

Sep. 3	Price Dm.	+ or −
AEG	336	−4
Allianz Vers	2080	−36.5
BASF	335.80	−3.3
Bayer	353.20	−5.3
Bayer-Hypo	520	−3.5
Bayer-Verein	495	−2
BHF-Bank	481	−4
BMW	774	−9
Brown Boveri	337	−11
Commerzbank	301.50	−5.5
Cont'l Gummi	350	−10
Daimler-Benz	1098	−31
Degussa	536.50	+1.5
D'sche Babcock	227	−7.5
Deutsche Bank	695	−12
Dresdner Bank	363.50	−4.5
Feldmuehle Nobel	530	−1
Henkel	572	−11
Hochtief	702	−6
Hoechst	327	−2.8
Hoesch Werke	130.50	−1.5
Holzmann (P)	490	−10
Horten	237	−4
Hussel	687	−3
Karstadt	543	−9
Kaufhof	510	−5.5
KHD	189	−1.5
Kloeckner Werke	143	−2
Linde	753	−6.5
Lufthansa	180.20	−3.8
MAN	190	−6.5
Mannesmann	167	−1.5
Mercedes Hld.	952	−32
Metallgesell	356	+1
Muench Rueck	2100.00	......
Nixdorf	833	−9
Porsche	990	−17
Preussag	198	−1
Rhein West Elect.	250	−4
Rosenthal	283	−1
Schering	605	−5
Siemens	650.50	−6
Thyssen	137.10	−1.7
Varta	375	−11
Veba	318.50	−4
V.E.W.	174.50	−1.5
Verein-West	461	−2
Volkswagen	398	−8.5

ITALY

Sep. 3	Price Lire	+ or −
Banca Com'le	2880	−160
Bastogi-IRBS	415.00	−25
CIR	5380	−65
Credito Italian	1900	−80
Fiat	10330	−260
Generali Assicur	123,000	−2550
Italcement	104,200	−2400
La Rinascente	1049	−11
Montedison	2300	−85
Olivetti	11250	−250
Pirelli Co	5700	−30
Pirelli Spa	4210	−59
Saipem	3244	+4
Snia BPD	3210	+5
Toro Assic	27100	−850

NETHERLANDS

Sep. 3	Price Fls.	+ or −
ACF Holding	61.60	−0.9
AEGON	87.90	−1.4
Ahold	103.00	−1.2
AKZO	171.50	+1
ABN	49.20	−0.4
AMEV	60.00	−0.6
AMRO	86.60	−0.7
Buehrmann-Tet	65.30	+1.3
Dordtsche Petroleum	238.10	−3.9
Elsevier Ndu	62.00	+1.5
Fokker	56.90	+0.5
Gist Brocades	46.90	+0.4
Heineken	183.00	−1.5
Hoogovens	48.00	+0.4
Hunter Douglas	61.70	−0.4
IHC Caland	21.60	......
Int Mueller	66.00	−1
KLM	51.40	−0.4
KNP	165.20	−1
Nat Ned Cert.	75.00	−0.7
Ned Mid Bank	169.50	−0.5
Ned Lloyd	178.50	......
Oce Grinten	453.00	−2.5
Ommeren (Van)	36.00	+0.2
Pakhoed	83.20	−2.1
Philips	51.70	−0.5
Robeco	110.40	−1.4
Rodamco	142.00	−0.2
Rolinco	106.20	−1
Rorento	52.00	−0.1
Royal Dutch	266.00	−5
Unilever	92.00	−47.9
VMF Stork	22.90	−0.1
VNU	92.00	......
Wessanen	88.30	−0.5
Wolters Samsom	128.00	+3

NORWAY

Sep. 3	Price Kroner	+ or −
Aker-Norcem	80.00	......
Bergen bank	216.00	−1.5
Bergesen B	385.00	−5
Christiania Bk	230.00	−3
Den Norsk Credit	187.50	+3
Elkem	146.00	+5
Hafslund	614.00	−10.5
Kosmos	147.50	......
Kvaerner	283.00	+13
Norsk Data	247.50	−3.5
Norsk Hydro	253.00	+0.5
Orkla Borregaard	570.00	+21
Storebrand	427.00	+3

SPAIN

Sep. 3	Price Pts. %	+ or −
Banco Bilbao	1730.00	......
Banco Central	1120	−20
Banco Exterior	485.00	−15
Banco Hispano	674.00	−12
Banco Popular	1805.00	−70
Banco Santander	1256	−24
Banco de Vizcaya	1980.00	−21
Banesto	1170.00	−60
Dragados	795.00	−25
Hidrola	104.70	−5
Iberduero	142.70	−6.5
Petroleos	715.00	−34.5
Telefonica	222	−6.7

SWEDEN

Sep. 3	Price Kroner	+ or −
AGA (free)	215	+1
Alfa-Laval	340	+5
ASEA (Free)	433	+4
Astra B (Free)	258	+3
Atlas Copco	199	+1
Beijer A Friz	213	......
Cardo (Free)	328	......
Cellulosa	335	+7
Electrolux B	327	+2
Ericsson	247	+14
Esselte	204	+7
Mo Och Domsjo	440	+8
Pharmacia	296	−2
Saab-Scania (free)	255	+2
Sandvik	209	+2
Skandia Ins.	214	+12
Skandia Intl.	291	......
Skan Enskilda	146	+1
SKF	368	+8
St. Kopparbergs	393	+5
Svka Handelsbn	540	......
Swedish Match	114	+3
Volvo B (Free)	394	+12

SWITZERLAND

Sep. 4	Price Frs.	+ or −
Adia Intl.	13200	−50
Alusuisse	851	−9
Bank Leu	4025	−25
Brown Boveri	2850	−50
Ciba Geigy	3840	−50
do. (PtCts)	2690	−45
Credit Suisse	3345	−15
Elektrowatt	4000	+125
Fischer (Geo.)	1660	......
Hoff-Roche (Pt Cts)	145,500	......
Hoff-Roche 1/10	14825	+50
Jacobs Suchard	9975	+25
Jelmoli	3900	+75
Landis & Gyr	1810	−5
Nestle	11100	+250
Oer-Buhrle	1650	−60
Pargesa Hldg	2430	−20
Pirelli	423	+2
Sandoz (Br)	15350	+100
Sandoz (PtCts)	2420	......
Schindler (PtCts)	875	−1
Sika	775	......
Surveillance	6850	+100
Swissair	1410	−20
Swiss Bank	508	−1
Swiss Reinsce	18250	−50
Swiss Volksbk	2300	−10
Union Bank	4990	+15
Winterthur	6975	+75
Zurich Ins	7200	......

AUSTRALIA

Sep. 3	Price Aust$	+ or −
ACI Int.	4.5	+0.05
A.F.P.	3.9	......
Adelaide Steams	9.5	+0.5
Amcor	6.2	+0.2
ANZ Group	5.36	−0.04
Ampol Pet	4	+0.1
Ariadne Aust.	2.92	−0.08
Ashton	3.67	+0.02
Aust Guarant	3.2	+0.05
Aust Nat Inds	2.55	......
Bell Group	10.4	+0.2
Bell Resources	5.6	+0.12
Bond Corp Hldgs	2.65	−0.05
Boral	6.8	−0.08
B'ville Copper	5.06	+0.16
Brambles Inds	12.2	+0.1
Bridge Oil	1.65	−0.07
BHP	10.25	+0.05
BHP Gold	1.72	+0.12
Burns Philp	5.7	+0.06
CRA	10.5	+0.1
CSR	4.35	......
Chase Corp	3.8	−0.1
Claremont Petro	1.08	+0.01
Coles Myer	8.9	+0.1
Comalco "A"	4.85	+0.25
Consolidated Pet	0.23	......
Costain Aust	3.45	+0.1
Elders IXL	5.66	+0.1
Energy Res	2.75	+0.05
Gen Prop Trust	3.4	......
Goodman Fielder	4.9	+0.14
Hardie (J.)	4.65	+0.05
Hartogen Energy	3.1	+0.02
ICI Aust	5.6	+0.1
Industrial Equity	6.4	......
Jimberlana (50cFP)	0.76	+0.03
Jones (David)	11.7	+0.4
Kia Ora Gold	1.05	......
Kidston Gold	8.2	+0.1
Lend Lease	17.8	+0.3
MIM	3.72	+0.09
Mayne Nickless	6.42	+0.12
Nat. Aust. Bank	5.7	......

AUSTRALIA (Continued)

Sep. 3	Price Aust$	+ or −
News	23.4	−0.4
Noranda Pacific	4.2	+0.05
North Bkn Hill	4.48	+0.18
Oakbridge	0.54	......
Pacific Dunlop	5.58	......
Pancont'l	4.3	......
Pioneer Conc	4.7	+0.05
Placer Pacific	4.2	+0.35
Poseidon	7.2	+0.54
Queensland Coal	1.55	......
Santos	7.4	......
Smith (H.)	5	......
Thos Nationwide	6.28	−0.02
Tooth	8.5	+0.1
Vamgas	3.7	......
Western Mining	9.9	......
Westpac	6.48	......
Woodside Petrol	2.3	......
Woolworths	3.55	......
Wormald Intl	3.85	+0.05

HONG KONG

Sep. 3	Price H.K.$	+ or −
Bank East Asia	31.50	−0.75
Cathy Pacific	8.10	+0.05
Cheung Kong	13.30	+0.2
China Light	26.70	......
Evergo	0.92	......
Hang Lung	18.40	+0.3
Hang Seng Bank	47.75	......
Henderson Land	7.35	−0.05
Hong Kong China	20.60	−0.2
HK Electric	10.30	+0.1
HK Land	8.10	......
HK Shanghai Bank	10.90	−0.1
HK Telephone	14.40	+0.7
Hutchison Wpa	14.30	......
Indust Equity P	33.00	+0.5
Jardine Math	21.70	+0.2
New World Dev	15.00	+0.2
SHK Props	18.70	−0.2
Shell Elec. Mfg.	2.27	−0.13
Swire Pac A	26.10	−0.3
TV-B	17.10	......
Wharf Hldgs	10.40	+0.10
Windsor Ind.	19.70	+0.5
World Int Hldgs	4.82	−0.05

JAPAN

Sep. 3	Price Yen	+ or −
Ajinomoto	3420	−40
All Nippon Air	2100	−60
Alps Electric	2230	−120
Asahi Chemicals	1200	−50
Asahi Glass	2160	−70
Bank Tokyo	1620	−10
Bridgestone	1200	+20
Brother Inds.	653	−27
Canon	1020	−20
Casio Computers	1230	−10
Chugai Pharm	2160	−40
Daiei	1730	−30
Dai Ichi Kan Bank	3360	......
Dai Nippon Ink	832	−52
Dai Nippon Ptg	2060	−20
Daiwa House	2260	−40
Daiwa Sec	3070	−50
Eisai	2300	−20
Fanuc	5810	−40
Fuji Bank	3270	+40
Fuji Film	4360	+60
Fujisawa	2340	−50
Fujitsu	1180	......
Furukawa Elect	915	−16
Green Cross	3030	−70
Heiwa Real Est	2000	−90
Hitachi	1160	+10
Hitachi Credit	1650	−10
Honda	1550	......
Indl Bank Japan	3850	−130
Ishikawajima Ha	678	−11
Isuzu Motors	422	−10
Itoh (C)	731	−12
Ito Yokado	4030	−80
JAL	15500	−300
Jusco	1560	−30
Kajima	1830	−20
Kao Soap	2180	......
Kawasaki Steel	305	−13
Kirin	2600	−10
Kobe Steel	287	−18
Komatsu	684	−16
Konishiroku	828	−4
Kubota	620	−13
Kumagai	1110	+20
Kyoto Ceramic	5650	......
Marubeni	518	−7
Marui	3330	−50
Mazda Motors	445	+6
Meiji Seika	1140	−40
MEI	2320	−20
M'bishi Bank	3100	−70
M'bishi Chem	1140	−50
M'bishi Corp	1210	−10
M'bishi Elec	609	−6
M'bishi Estate	2630	−50
MHI	620	−13
Mitsui Bank	2700	+50
Mitsui Co.	776	−14
Mitsui Estate	2330	−50
Mitsui Toatsu	735	−16
Mitsukoshi	1760	−90
NGK Insulators	1000	−20
Nikko Sec	2300	−170
Nippon Denso	1530	−10
Nippon Elect	1850	......
Nippon Express	1240	+10
Nippon Gakki	1780	−30
Nippon Kogaku	1090	−40
Nippon Kokan	316	−9
Nippon Oil	1380	−30

JAPAN (Continued)

Sep. 3	Price Yen	+ or −
Nippon Seiko	601	−21
Nippon Shimpan	1280	−40
Nippon Steel	344	−10
Nippon Suisan	625	−54
Nippon Yusen	595	+4
Nissan Motor	709	−6
Nisshin Flour	1470	+20
Nomura	4670	−120
Olympus	1100	−50
Onoda Cement	800	−18
Orient Finance	1530	−70
Orient Leasing	4000	......
Pioneer	2880	......
Ricoh	1240	−30
Sankyo	1920	−70
Sanwa Bank	2870	−80
Sanyo Elect	517	+1
Sapporo	1990	−80
Sekisui House	2310	−50
Seven-Eleven	7950	+50
Sharp	1180	......
Shimizu Const.	1060	−20
Shionogi	1790	−40
Shiseido	2130	−70
Showa Denko	684	−26
Sony	4800	+90
Sumitomo Bank	3940	−50
Sumitomo Chem	735	−20
Sumitomo Corp.	1060	−20
Sumitomo Elect	1650	−30
Sumitomo Metal	244	−11
Sumitomo Tr. & Bk.	3950	......
Taisei Corp	1070	−20
Taisho Marine	1190	−50
Taiyo Kobe Bank	1660	−20
Takeda	3950	−60
TDK	4720	+20
Teijin	880	−62
Toa Nenryo Kyo	2090	−70
Tokai Bank	2400	−30
Tokyo Marine	2240	−60
Tokyo Elect Pwr	6490	−120
Tokyo Gas	1090	−40
Tokyu Corp	1590	+10
Toppan Print	1580	−20
Toray	854	−26
Toshiba Elect	646	+1
Toyo Seikan	2800	−60
Toyota Motor	1920	......
UBE Inds	539	−6
Victor	2750	−40
Yamaha	904	−46
Yamaichi Sec	2450	−80
Yamanouchi	4500	−10
Yamazaki	1640	......
Yasuda Fire	1160	−60

SINGAPORE

Sep. 3	Price $	+ or −
Boustead Hldgs	1.89	+0.2
Cerebos Pacific	6.9	−0.05
Cold Storage	5	−0.35
DBS	15.9	−0.5
Genting	7.25	−0.1
Haw Par Bros	6.1	−0.4
Hong Leong Fin.	4.28	−0.22
Inchcape Bhd	6.25	−0.3
Keppel Shipyard	3.96	−0.16
Malay Banking	7.65	−0.15
Malayan Utd. Ind	2.34	−0.19
Multi Purpose	0.69	......
OCBC	10.1	−0.3
OUB	5.4	−0.05
Public Bank	2.68	−0.09
Sime Darby	3.2	−0.16
Singapore Air	14.3	−0.2
Singapore Press	10.4	−0.1
Straits Trading	5.6	−0.05
Tat Lee Bank	4.24	−0.16
UOB	7.55	−0.15

SOUTH AFRICA

Sep. 3	Price Rand	+ or −
Abercom	3	−0.1
AE & CI	16.5	+0.25
Allied Tech.	170	......
Anglo Am Coal	37	......
Anglo Am Corp	91	−1
Anglo Am Gold	415	......
Barclays Bank	21	......
Barlow Rand	27.75	−0.15
Buffels	80	......
CNA Gallo	5.75	......
Currie Finance	5.3	......
De Beers	52.25	−0.5
Driefontein	94.25	−0.75
Freegold	60	−1
Gold Fields SA	95.5	−0.5
Highveld Steel	7.7	+0.1
Malcor Hldgs	27.75	......
Nedbank	7.55	−0.1
OK Bazaars	18.5	−0.25
Rembrandt	14.3	+0.1
Rust Plat	59.63	−0.07
Safren	33	−0.5
Sage Holdings	17.25	......
SA Brewers	25	......
Smith (C.G.)	46.5	......
Tongaat Hulett	16	+0.25

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices September 3

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONTREAL

Closing prices September 3

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales [illegible] shares

Indices

NEW YORK — DOW JONES

	Sept 3	Sept 2	Sept 1	August 31	August 28	August 27	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trading vol	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD AND POORS; N.Y.S.E. ALL COMMON; RISES AND FALLS; TORONTO; MONTREAL Portfolio; NYSE-Consolidated 1500 Actives: [illegible]

	Sep. 3	Sep. 2	Sep. 1	Aug. 31	1987 High	1987 Low
AUSTRALIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NETHERLANDS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON — Most Active Stocks
Thursday, September 3, 1987

	Stocks Traded	Closing Price	Change on Day
Rolls Royce	18.6m	116	+ 5
Brit Telecom	12.8m	268	+ 2½
Brit Gas	9.6m	171½	+ ½
Cadbury Schwps	9.1m	274	+ 4
Plessey	8.8m	187½	+ 2½
Cable & Wire	6.3m	436	+ 6
Baxcl	6.2m	238	− 1
Brit Airways	5.8m	188	− 4
Gen Elect	5.8m	212½	+ 5½
Rank Org	5.4m	695	+18

TOKYO — Most Active Stocks
Thursday, September 3, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Kokan	43.68m	316	− 9
Yodogawa Steel Wks	41.34m	1,369	+138
Nisshin Steel	40.27m	685	+ 3
Nippon Steel	29.42m	344	− 10
Yokohama Rubber	26.86m	683	+ 24
Kawasaki Steel	26.34m	305	− 13
Sato Kogyo	22.53m	798	+ 11
Okumura Corp	21.12m	1,858	− 20
Mitsubishi Heavy Ind.	19.89m	620	− 13
Mitsubishi Metal	14.05m	855	− 40

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Tr 8½pc 2007	£89¹³⁄₃₂	+²⁵⁄₃₂
Appledore (A & P)	285	+56
Arlen	202	+12
Assoc Brit Foods	356	+ 9
BAT Inds	661	+ 9
BICC	402	+18
BTR	344	+ 7
BPCC	395	+19
Caffyns	503	+23
Calor Group	441	+ 8
Cheshire Whlfds	273	+18
Dixons	358	+11
Euro Home Prods	340	+15
Gates (Frank G)	210	+22
GUS A	£12⅝	+¼
Lambert Howarth	395	+20
Lond & Manch	326	+10
Midland Bank	480	+28
Polly Peck	368	+21
Ratners	361	+11
Reed Intl	543	+24
Std & Simps A	132	+ 6
Sutcliffe, Spkm	196	+10
Trilion	188	+28
Williams Hldgs	959	+32

FALLS:

Collins (Wm) A	738	−15
Unigate	384	− 5

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37⅞	20⅝	AAR s	.50	1.4	23	75	36¼	35	35	−1
52	22	ADT	.82	1.6	29	752	51⅜	51⅛	51⅜	
31¼	16¾	AFG s	.16	.6	10	697	28⅞	28¼	28½	−⅛
22⅜	8⅜	AGS s			19	421	20⅝	19⅝	20¼	+½
10⅞	6¾	AMCA				26	10	9⅞	9⅞	−¼
9⅜	4⅞	AM Intl				639	7⅞	7⅝	7¾	+⅛
65½	50¼	AMR			12	7005	58½	56⅛	57	−⅞
12¼	8¼	ARX s			11	309	11⅜	11⅛	11⅛	
73½	34⅜	ASA	2a	3.0		555	68	66⅝	67⅜	+⅛
20	9¾	AVX	.32	1.9	34	234	17⅝	16⅞	17	−¾
67	41	AbtLab	1	1.6	24	4946	62⅛	60⅝	61⅛	−⅛
28	24¼	Abitibi g				16	26⅛	26⅛	26⅛	
16¾	9¾	AcmeC	.40	2.7	15	113	15	14⅝	14¾	−¼
10½	6⅛	AcmeE	.32b	3.4	59	5	9⅜	9⅜	9⅜	−⅛
23⅞	19	AdaEx	3.42e	16.		109	22⅛	21¾	21¾	−¼
19½	11⅛	AdmM s	.24	1.8	10	456	13	12⅞	13	+⅛
28¾	12⅛	AdvSys	.82t	2.3	18	178	27½	26¾	26⅞	−⅝
24½	12⅞	AMD				4168	21⅛	20	20⅝	−¼
56½	47	AMD pf	3	5.7		70	53⅝	53	53	−⅝
11⅞	5¼	Adobe				336	10⅛	9¾	9¾	
21⅞	17	Adob pf	2.40	11.		8	21¼	21¼	21¼	
15	10⅜	Advest	.12a	1.0	9	153	11½	11¼	11½	+¼
68¼	53	AetnLf	2.76	4.6	9	9651	60½	59¾	60½	+⅛
83½	26½	AfilPb s	.32	.5	22	390	71⅜	70½	70½	−¼
26⅞	18⅝	Ahmans	.88	4.1	8	4517	21⅝	21⅛	21⅜	−⅛
5⅜	2⅞	Aileen				64	3⅜	3⅜	3⅜	−⅛
53⅞	31¾	AirPrd	1	2.0	21	1135	49⅜	48½	48⅞	
36	17¾	AirbFrt	.60	2.3	11	41	26⅞	26½	26⅝	−⅛
15	7⅝	Airgas n			21	51	13	12⅞	12⅞	
20⅜	16¼	Airlse n	1.57e	8.9		11	17¾	17½	17⅝	
15-32	¼	AlMoan				36	13-32	⅜	13-32	+1-32
10¾	8⅛	AlaP dpf	.87	9.6		9	9¼	9⅛	9⅛	
106½	93	AlaP pf	9	9.7		z100	92¾	d92¾	92¾	−¼
108	96	AlaP pf	9.44	9.6		z10	98½	98½	98½	
104	87	AlaP pf	8.16	9.3		z310	87½	87⅜	87⅜	−1½
96½	84	AlaP pf	8.28	9.8		z100	84½	84½	84½	+½
27⅞	16⅞	AlskAir	.16	.7	15	280	22⅛	21¾	21⅞	−⅛
28¼	13½	Alberto	.24	1.0	21	61	25½	24½	25¼	
24	13½	AlbCulv	.24	1.1	18	40	21¾	21⅛	21⅛	−⅜
65⅛	40¼	Albtsns	.96	1.5	19	752	63⅜	62⅞	62⅞	−¼
37¼	18⅜	Alcan s	.60	1.9	18	7049	32⅛	30⅝	31	−⅞
30	18½	AlcoS s			18	748	27½	26⅞	26⅞	
42⅜	22⅜	AlexAlx	1	3.9	23	546	25¾	25¼	25¾	+½
50½	36¼	Alexdr			72	13	46¾	46⅝	46⅝	−⅛
92½	48½	AllegCp				24	90	89¾	89¾	−½
24¾	11⅜	AlgInt				327	15⅛	15	15⅛	+⅛
20⅛	10¾	AlgIn pr				7	17¼	17¼	17¼	−⅛
34	26	AlgLudn	.10e	.3		230	30	29⅛	29¼	−⅞
51⅞	35¾	AllgPw	2.92	7.6	10	565	38½	38⅛	38¼	
100	52	Allegis	1	1.0	33	7658	99	97	97⅞	−½
20⅝	14½	AllenG	.56	3.5		178	16¼	16	16	−¼
25	19⅜	Allen pf	1.75	8.3		32	21⅝	21⅛	21⅛	−¼
44	25½	AlldPd			11	24	26¾	26½	26¾	
49¼	37⅜	AldSgnl	.60	4.1	13	2393	44⅝	43⅝	43⅝	−⅝
3¾	2	vjAllisC				183	2¼	2⅛	2⅛	−⅛
33⅜	23⅞	ALLTL	s1.36	4.3	18	218	32	31¼	32	+⅝

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

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U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
27⅛	17¼	UDC	2.20	12.	6	63	19¼	18⅝	18⅞	−⅛
32	25½	UGI	2.04	7.2	11	53	28⅞	28⅝	28⅝	−¼
12	8¼	UNCInc			18	1298	u12⅜	12	12⅛	+¼
31⅛	20⅝	UNUM n.30e		1.2		426	25⅝	25	25⅛	−⅛
21⅞	14⅜	URS	.96t	4.9	19	265	20	19½	19½	−¼
48¾	36¼	USFG	2.48	6.0	9	1927	41¾	40½	41½	+⅛

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
57⅝	42½	WiscPL3.12		6.6	11	53	47⅞	47⅝	47⅝	+⅛
30¼	21⅛	WisPS s1.54		6.7	11	306	23¼	22⅞	22⅞	−⅛
47⅝	31⅛	Witco	1.12	2.8	14	135	40⅝	39½	39¾	−¾
14	8¾	WolvrW			44	101	12¼	12⅛	12¼	−⅛
59⅝	37	Wlwth s1.32		2.5	15	3072	54¼	52¾	53¼	−⅝
167½	108	Wolw pf2.20		1.4		1	152	152	152	−3¼
7⅜	2	WrldCp				138	7	6¾	7	+⅜
19¾	14⅝	WrldVl				74	19¼	19	19⅛	+⅛
60¼	41⅞	Wrigly s1.04		1.8	19	117	58⅛	57½	57⅞	−⅛
3⅞	1⅜	Wurltzr				51	2½	2½	2½	
20⅛	11⅛	WyleLb .32		1.7	32	47	19¼	18⅞	19⅛	+⅛
24¾	16	Wynns .80		2.9	16	129	21	20⅝	20⅝	

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
85	51	Xerox	3	3.8	17	2765	79¼	77½	78¼	−½
56¼	53⅞	Xerox pf5.45		10.		287	54⅛	53⅞	53⅞	−⅛
31½	21½	XTRA	.64	2.2	24	36	29¾	29⅜	29¾	+⅛
27⅞	25⅝	XTRA pf1.94		7.1		128	27¼	27¼	27¼	+¼
31¾	15	Yorkin			15	203	30⅝	30¼	30⅝	−⅛
7¼	2¼	Zapata				186	5⅝	5½	5½	
32⅞	20¾	Zayre	.40	1.4	10	4487	30¼	28⅝	28¾	−⅞
14¾	9¾	Zemex	.40	3.3	8	2	12¼	12¼	12¼	−⅛
33⅝	18⅞	ZenithE			121	1659	30⅝	29⅞	30¼	+⅜
13½	6¼	ZenLab				2374	7⅜	6¾	7	+⅛
28	18¾	ZeoNtl	.80	3.6	13	98	23	21⅞	22	−¾
20⅝	12⅝	Zero	.36	1.9	19	65	18⅞	18⅝	18¾	−⅛
30¾	17½	Zurmin s .68		2.4	19	469	28⅛	27⅛	28⅛	+¾
10⅝	8¾	Zweig n.66e		6.5		1065	10⅛	10	10	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Expectations of prime rate rise weigh on Dow

WALL STREET

FURTHER pressure on the dollar and the federal debt continued to weigh on Wall Street stocks yesterday, amid expectations of a quarter to half-point rise in prime lending rates before the middle of the month, *writes Gordon Cramb in New York.*

The Dow Jones industrial average closed 2.55 lower at 2,599.49.

On the big board as a whole declines led advances 966 to 608 as the NYSE composite index fell 0.78 to 179.34. Volume slowed to some 165.2m shares from 199.4m.

Credit markets, shaken by a retail sell-off on Wednesday, were looking at long-term yields approaching 9½ per cent, their highest in 18 months. Another upward move in short-term rates left the sector, in many analysts views, already discounting a round of prime rate boosts by banks about the time the US July trade data are due to be released on September 11.

Mr Bill Griggs of Griggs and Santow said he believed banks were by now merely waiting to convince themselves that market rates were maintaining their higher levels before they made a move. The stock market, amid prospects like this, was unable to find grounds for an immediate rally as selling continued in moderate to busy volume.

In a largely weaker technology sector IBM continued $¼ lower at $162¼ despite announcing a co-operation agreement with Ericsson of Sweden for telephone systems. Digital Equipment showed the effects of profit-taking after recent strength, coming back $½ to $187⅞. Hewlett-Packard was $5½ down at $64⅞.

Cray Research took another drubbing after Wednesday's news that an ambitious supercomputer project was being abandoned and its designer was leaving to pursue his work elsewhere. Cray ended $6⅞ weaker at $97⅞, extending a $7¼ loss the previous session.

AT&T retained the previous day's $¼ gain at $33¼ *as details of its new* desktop and mid-range products were assessed.

Tandy came $⅜ lower at $46⅝ after saying August sales were up 14 per cent. A clutch of monthly data from across the retail sector brought varying but often negative responses – none more marked, perhaps, than that in The Limited, the upmarket department stores group which shed $2⅝ to $42⅝ as more than 2.4m shares changed hands.

J. C. Penney was also affected, off $1¼ to $60⅞ while Kmart at $43¼ dipped $⅝. Parisian, a speciality fashion stores chain, put on $1 in over-the-counter trading to $31½ after announcing a planned takeover by Hooker of Australia.

Among other consumer industries *Coca-Cola on $51¼ added $⅛ to* its strength this week after the deal involving a combination of its entertainment side with Tri-Star Pictures, a further $⅝ ahead to $15⅝

Pepsico, battling to prevent a change of ownership of an important domestic bottling franchise, fell $⅝ to $38⅝. IC Industries, down $1 to $32⅝, is planning to acquire the business from Gencorp, which was $⅛ better at $108⅛.

Utilities, which have been pulled lower by the rest of the market over the past week, showed Chicago's Commonwealth Edison actively traded and $¼ weaker at $32⅝. Consolidated Edison, the New York supplier, steadied on $43⅛.

Newmont Mining gained $2⅛ to $89½ as its board prepared to hear the views of its advisers on options open to the company other than acquiescence to the wishes of Mr Boone Pickens and his associates.

The Detroit labour negotiations pushed Ford, the United Auto Workers' focal target, $1½ downward to $103⅞. General Motors stayed at $88 while Chrysler crawled $⅛ higher to $44.

Pan American weakened $⅛ to $4⅝ as Sir James Goldsmith prepared to bow out. Other airlines were beset by an intensifying new round of domestic fare discounting. Texas Air, operator of Eastern, came down $1⅝ to $27⅛, Delta at $55¼ showed a $¼ improvement and AMR, reorganising its cheap rates, shed $⅞ to $57.

The market for bank stocks accorded a muted response to capital raising intentions by Manufacturers Hanover, up $¼ at $40⅞. Citicorp, which many are watching as the frequent leader of moves to raise prime rates, pulled back $1⅜ to $60⅞.

Credit markets were unable to pull of an attempt at a morning rally, and lunchtime rates moved higher still. Although federal funds were stable at 6⅞ per cent, three-month Treasury bills gave way significantly – yields moved eight basis points higher to stand at 6.35 per cent, while the six-month yield came back the same amount at 6.55 per cent.

The bout of retail selling set in train the day before continued to affect issues, with the 8⅞ bond of 2017 surrendering ⅛ in price to 94¼ where its yield of 9.45 was the highest since February 1986.

CANADA

BLUE CHIPS and metals led share prices in Toronto lower to register broad declines in all sectors.

Metals dominated the actives list, with Alcan Aluminium off C$1½ at C$40½, Falconbridge down C$⅝ at C$26⅝ and Inco C$½ lower at C$26½. Cominco lost C$¼ to C$21.

Gold stocks came under some selling pressure after strong gains on Wednesday. LAC Minerals, on the first day of trading following a stock split, was down 8 cents at C$16⅝.

Blue chips continued their recent weakness, with *Bell Canada off* C$¼ at C$40⅝, Seagram down C$⅞ at C$98, Northern Telecom unchanged at C$29⅝ and Dofasco C$½ lower at C$28.

ASIA

Chemical group's losses send Nikkei lower

TOKYO

TATEHO CHEMICAL'S statement that it had sustained hefty losses on bond futures contracts sent share prices sharply lower in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average shed 389 points by midday and closed 296.72 lower at 25,649.88. Volume decreased to 914.25m shares from Wednesday's 1,205.23m. Declines outnumbered advances by 717 to 215, with 124 issues unchanged.

The market was severely jolted by reports that Tateho Chemical Industries Co, listed on the Osaka Securities Exchange, suffered losses of some Y20bn in bond investment.

Some investors were concerned that a rash of similar cases may come to light among firms dabbling in *zaiteku* – Japanese shorthand for financial technology.

Chemical issues fell almost across the board, along with steels and other large-capital stocks.

Sumitomo Chemical dropped Y20 to Y935, Mitsubishi Petrochemical lost Y110 to Y1,300, Mitsui Toatsu Chemicals shed Y16 to Y735 and Asahi Chemical was down Y50 at Y1,200.

Giant-capital stocks fared poorly. Nippon Kokan, topping the active list with 43.08m shares changing hands, dipped Y9 to Y316. Kawasaki Steel and Mitsubishi Heavy Industries closed Y13 lower each at Y305 and Y620 respectively, while Ishikawajima-Harima Heavy Industries slipped Y11 to Y678.

Among other losers, Mitsubishi Metal lost Y40 to Y855, while Teijin finished Y62 lower at Y880.

High-technology stocks were sought briefly, but early gains were later eroded. The spurt was helped by a forecast from Daiwa Securities Research Institute, that the combined recurring profit of electrical goods makers in the business year to next March would register high growth.

Sony ended Y90 higher at Y4,800 after gaining Y190 at one point. TDK, which briefly advanced Y160, finished at Y4,720, up only Y20. Matsushita Electric Industrial closed Y20 lower at Y2,320 after posting a rise of Y40 earlier in the session.

Power and gas utilities were easier, with Tokyo Electric Power declining Y120 to Y6,490 and Tokyo Gas down Y40 at Y1,090.

In generally lackluster trading, some issues with specific incentives attracted buying interest. Yodogawa Steel Works, the second busiest issue with 41.34m shares traded, soared Y130 to Y1,300 on the strength of the recovering bar steel market. Yokohama Rubber rose Y24 to Y683 on rumours of buying by speculators.

The Tateho Chemical trouble sent prices on the Osaka Securities Exchange (OSE) sharply lower.

The 250-issue OSE stock average suffered its seventh biggest single-day loss of 425.12 points to 26,229.95. Volume totalled 93.17m shares, a sharp fall of 66.57m shares from the previous day.

Tateho registered a maximum allowable single-day loss of Y300 to end at an asked price of Y1,220. Nintendo dropped Y300 to Y11,500 and Sakai Chemical Industry lost Y100 to Y2,670. But Yodogawa Steel works finished Y80 higher at Y1,260.

Bond prices slumped in Tokyo yesterday in small-lot selling sparked by the Tateho incident.

The yield on the benchmark 5.1 per cent government bond, maturing in June 1996, advanced to 5.020 per cent in early trading from Wednesday's 4.430 per cent. When the yield rose above 5 per cent, buy orders were placed and the yield on the benchmark issue ended at 4.930 per cent. In inter-dealer trading later, the yield declined to 4.850 per cent.

HONG KONG

GOOD GAINS in utility and property stocks led the Hang Seng index to a record in active trading. The index added 18.09 to 3,653.95, topping the previous high of 3,644.28 set on September 1.

Turnover continued heavy, rising to HK$2.498bn from HK$2.419bn on Wednesday.

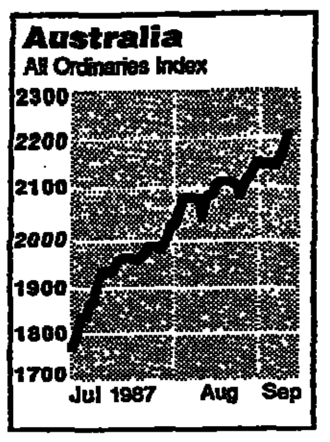
After a weak opening on continued profit-taking, local traders initiated a wave of buying which *fuelled the afternoon rally.*

Hong Kong Telephone was the most featured stock and rose 70 cents to HK$14.40 in heavy trading *on speculation that Cable & Wire*less intended to make a bid for the remaining 20 per cent of shares it does not control.

Among property shares, Cheung Kong and New World gained 20 cents each to HK$13.30 and HK$15.00, but Sun Hung Kai Properties lost 20 cents to 18.70.

Elsewhere, Jardine Matheson edged up 20 cents to HK$21.40 and Hong Kong Bank added 20 to HK$10.80. HK-TVB was unchanged at HK$17.10 while China Light shed 20 cents to HK$26.90.

Cavendish rose 10 cents to HK$5.55 after reporting a sharply higher interim profit of HK$195m.



AUSTRALIA

A STRONG advance in gold and silver prices in New York boosted gold and mining shares in Sydney, sending the All Ordinaries to a second *successive record. The index added* 24.1 to 2,203.7 in active trading worth A$407.28m.

Among golds, Emperor picked up *80 cents to A$10.80, Poseidon rose* 54 cents to A$7.20 and 50 cent rises took Metana and Sons of Gwalia to A$14.00 and A$13.50 respectively.

Some diversified miners also made solid gains. Australian Consolidated Minerals advanced 50 cents to A$8.40, Nuigini Mining added 20 cents to A$15.20, Bougainville was up 16 cents at A$5.06 and Bell Resources rose 10 cents to A$5.58.

Industrials also climbed on good earnings reports and takeovers. Brambles Industries added 10 cents to A$12.20 after announcing a rise in profits. Amcor gained 20 cents to A$6.20 after reporting its latest results.

Media issues continued to attract attention. John Fairfax, under a *buyout offer from Warwick Fairfax,* rose 20 cents to A$8.80. Rupert Murdoch's News Corp shed 10 cents to A$23.40.

Rothman's Holdings gained 10 cents to A$9.70 after Industrial Equity announced it had acquired 10.8 per cent of the tobacco concern.

SINGAPORE

A LATE wave of selling pressure and some profit-taking caused share prices to turn down over a broad front. Most of the selling came from local investors and towards the close it became quite frantic.

The Straits Times industrial index lost 38.27 to 1,388.04 and turnover slipped to 32.5m shares from 39.6m on Wednesday.

Blue chips were prominent among the declines. DBS dropped 50 cents to S$15.90, Fraser and Neave shed 30 cents to S$13.50, Genting was down 10 cents at *S$7.25, Inchcape off 30 cents to* S$6.25 and National Iron 20 cents lower at S$7.75.

Great Eastern Life lost 40 cents to S$20.40, Malayan Breweries was off 40 to S$11.90, Haw Par was down 40 cents at S$6.10, Metro declined 30 to S$12.70, Avimo shed 35 cents to S$5.15

Lee Kim Tah rose to a high of S$1.25 on reports it had won a S1bn housing project in India, but it later fell to S$1.14, up 4 cents from Wednesday.

Among Malaysians, Sime Darby was down 6 cents at S$3.30, MMC fell 8 to S$2.61, MUI dropped 19 to S$2.34,

EUROPE

Zurich and Paris stride away from dollar worries

THE DOLLAR'S weakness continued to erode confidence on some major European bourses yesterday while others broke out of its shadow to follow an upward path. Both Swiss and French stocks performed well, while on the downside Italian shares fell sharply.

*Zurich took the dollar and spor*adic profit-taking in its stride as Swiss institutional investors continued to focus their attention on blue chips, pushing the market higher. The Crédit Suisse index rose 4 points to 599.4 and the new Swiss Index was 5.7 higher at 1,145.1 in fairly active trading. Foreigners, keeping a wary eye on Wall Street and the dollar, generally stayed away.

Nestlé again proved strong, up SFr250 at SFr11,100. while Jacobs Suchard edged up SFr25 to SFr9,975.

Engineers were mixed, as Sulzer attracted interest to rise SFr100 to SFr5,850 and Brown Boveri lost SFr50 to SFr2,850. Georg Fischer was steady at SFr1,660.

Chemicals and financials were also mixed.

Paris picked up on bargain-hunting and foreign buying as the mood *turned more optimistic and trading* volume rose. The CAC General index added 3.1 to close at 429.7.

The change in sentiment stemmed partly from a feeling that the outlook for the economy and the bourse will improve in the run-up to next spring's presidential election. A planned reduction in value-added tax on car sales was another boost.

Peugeot in particular moved into top gear with a FFr79 rise to FFr1,654 on the VAT cut, due to take effect on September 17. Car components manufacturer Valeo was up FFr20 at FFr697 and Michelin added FFr9 to FFr350.

LONDON

THE UK securities markets took a calm view of the Tateho chemical group's investment losses and also adopted a more relaxed attitude towards future domestic *economic statistics.*

The FT-SE 100 share index rebounded by more than 25 points before easing slightly after news that Wall Street was again turning down.

The index closed up *18.6 at* 2,268.1, and the FT Ordinary index was 11.3 higher at 1,774.5 in generally thin volume.

Static performances by sterling and short-term interest rates failed to deter the bond market and longs closed with gains of up to ⅝. Details, Page 40

The Scandinavian bourses were strong, with both Stockholm and Oslo hitting record highs.

Stockholm regained its strength dramatically after a jittery start and the J&P index climbed 49.7 to a high of 3,071.8, beating the previous *record of 3,057.80 on August 24.*

Among the blue chip gains, Skandia added SKr13 to SKr214 and Ericsson, which will be studying joint developments with IBM, added SKr14 to SKr247.

Oslo climbed to its fourth record in a row as the all-share index added 4.61 to 407.74 in active trading. Industrials were particularly strong, with Orkla Borregaard up *NKr21 at NKr572 and Hafslund ris*ing NKr16.50 to NKr641.

Milan ended lower for a third session and the MIB share index lost 1.98 per cent to 842.

The market was dragged down by worries that there could be political problems over the 1988 finance bill

Leading blue chips were all depressed, with Fiat down L317 to L10,281, Montedison losing L60 to L2,320, Olivetti off L199 to L11,250 and insurer Generali falling L2,550 to L123,000.

Frankfurt was again undermined by the lower dollar and the Commerzbank index fell 21.1 to 1,998.0 in quiet trading as big investors stayed away.

A DM6 loss to DM650.50 for Siemens on worries over its fourth-quarter earnings proved a depressant, while the investment losses of Tateho Chemical Industries also had an impact.

Banks and cars were generally lower, and among weak chemicals Henkel lost DM11 to DM572 despite a rise in first-half profits.

Bonds were also down and the Bundesbank bought DM18.6m worth of paper after buying DM147.2m on Wednesday.

Amsterdam continued to slip on the weak dollar. The all-share index shed 0.4 to 102.7 in quiet trading.

Internationals were mainly down again with Royal Dutch off Fl 5 at Fl 266, KLM 40 cents lower at Fl 51.40 and Philips down 50 cents at Fl 51.70.

Selected gains included biochemical group Gist-Brocades which picked up 40 cents to Fl 46.90

Brussels edged higher in thin trading. Many investors remained on the sidelines but selected buying interest nudged the Brussels Stock index up 0.80 to 5,298.52, the first rise this week.

Madrid ended its run of records as share prices eased on a bout of profit-taking. The general index lost 5.07 to 309.69.

SOUTH AFRICA

THE UNSTEADY bullion price prompted market caution in Johannesburg and golds ended mixed with a lower bias but gained some support from a weaker financial rand.

Vaal Reefs eased R4.50 to R483, Harties dipped 75 cents to R35.25, Freegold dropped R1 to R60 and *Randfontein* was unchanged at R433.

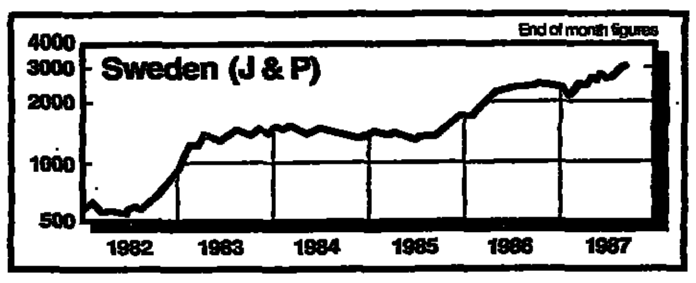
Among firmer gold shares were Western Deep which added R4.50 to R214.50 and Elandsrand which was 75 cents higher at R36.25.

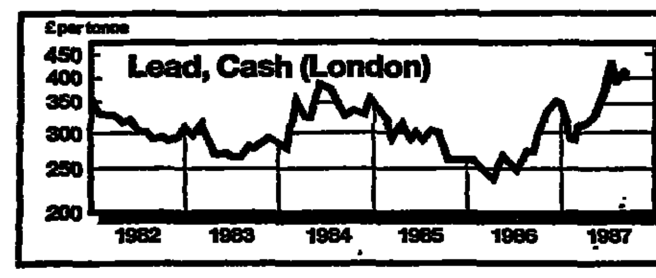
Mining financials drifted lower, Anglos shed R1 to R91 while diamond share De Beers was down 75 cents at R52.25.

In platinums, new listing Lefkochrysos was 20 cents lower at R23 while Rustenburg eased 25 cents to R59.90.

Industrial shares were mostly easier, although both Sasol and South African Breweries were unchanged at R14 and R25 respectively.

KEY MARKET MONITORS





STOCK MARKET INDICES

	Sept 3	Prev	Year ago
NEW YORK			
DJ Industrials	2,599.49	2,602.04	1,881.33
DJ Transport	1,033.72	1,037.93	769.50
DJ Utilities	202.29	203.08	216.88
S&P Comp.	320.21	321.68	253.82
LONDON FT			
Ord	1,774.50	1,763.2	1,320.0
SE 100	2,268.1	2,249.5	1,670.70
A All-share	1,156.56	1,147.04	827.76
A 500	1,272.39	1,262.81	909.99
Gold mines	452.8	444.9	268.0
A Long gilt	9.86	9.93	9.45
World Act. Ind (Sept 2)	138.30	138.62	100.59
TOKYO			
Nikkei	25,649.88	25,946.60	18,505.4
Tokyo SE	2,110.38	2,139.47	1,513.88
AUSTRALIA			
All Ord	2,203.5	2,179.6	1,220.0
Metals & Mins.	1,404.1	1,368.5	584.3
AUSTRIA			
Credit Aktien	214.51	213.60	240.23
BELGIAN SE	5,298.50	5,297.70	3,885.86
CANADA			
Toronto			
Met & Mins.	3,110.8	3,156.1	2,156.0
Composite	3,952.7	3,978.0	3,098.4
Montreal			
Portfolio	1,951.39	1,963.49	1,551.38
DENMARK SE			
SE	n/a	n/a	186.18
FRANCE			
CAC Gen	429.70	426.60	405.7
Ind. Tendance	111.90	110.70	97.30
WEST GERMANY			
FAZ-Aktien	649.67	655.57	696.92
Commerzbank	1,998.0	2,019.10	2,103.6
HONG KONG Hang Seng	3,653.95	3,635.85	1,944.99
ITALY Banca Comm.	609.08	621.45	813.79
NETHERLANDS ANP CBS			
Gen	311.70	314.50	297.9
Ind	261.00	262.60	298.5
NORWAY Oslo SE	549.67	540.22	377.68
SINGAPORE Straits Times	1,388.00	1,426.30	841.02
SOUTH AFRICA JSE			
Golds	–	2,397.0	1,809.0
Industrials	–	2,222.0	1,344.0
SPAIN Madrid SE	309.69	314.76	208.81
SWEDEN J & P	3,071.80	3,022.10	2,433.96
SWITZERLAND Swiss Bank Ind	690.80	684.60	567.6

COMMODITIES (London)

	Sept 3	Prev
Silver (spot fixing)	463.50p	461.70p
Copper (cash)	£1,031.50	£1,043.50
Coffee (Sept)	£1,311.50	£1,381.00
Oil (Brent Blend)	$18.15	$18.45

GOLD ($/oz)

	Sept 3	Prev
London	$464.25	$463.75
Zürich	$463.75	$463.50
Paris (fixing)	$464.40	$460.04
Luxembourg	$463.00	$458.04
New York (Dec)	$471.70	$473.40

CURRENCIES (London)

	US DOLLAR Sept 3	US DOLLAR Previous	STERLING Sept 3	STERLING Previous
$	–	–	1.6580	1.6500
DM	1.7935	1.8030	2.9725	2.9750
Yen	141.00	140.95	233.75	232.5
FFr	6.0025	6.0350	9.9526	9.9575
SFr	1.4835	1.4885	2.4600	2.4560
Fl	2.0190	2.0300	3.3475	3.35
Lira	1,300	1,306	2,155	2,155
BFr	37.25	37.45	61.75	61.80
C$	1.3145	1.3145	2.1771	2.1700

INTEREST RATES

	Sept 3	Prev
Euro-currencies (3-month offered rate)		
£	10⅛	10 9/16
SFr	3 7/16	3 5/16
DM	3⅞	3 15/16
FFr	8 5/16	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	7 7/16	7 9/16
6-month US$	7⅞	7⅞
US Fed Funds	6 13/16*	6⅞
US 3-month CDs	6.90*	6.90
US 3-month T-bills	6.22*	6.06

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
(Sept)	84-24	85-21	84-14	85-00
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.68	93.80	93.65	93.73
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.60	92.67	92.61	92.62
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	115-14	115-14	114-19	114-26

US BONDS

Treasury

	September 3 Price	September 3 Yield	Prev Price	Prev Yield
7⅞ 1989	99 11/32	8.13	99 9/32	8.14
7 1994	94 23/32	9.053	94 19/32	9.07
8½ 1997	95 21/32	9.252	95 [illegible]	9.26
8¾ 2017	94 [illegible]	9.428	94 [illegible]	9.46

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	September 3 Return index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.86	–0.03
1–3	144.03	+0.07	6.37	–0.03
3–5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	September 3 Price	September 3 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.125	6.60	92.875	6.70
SCBT South Central 10⅞ Jan 1993	101.875	10.41	102.0	10.63
Phibro Sal 8 April 1996	88.11	10.10	87.33	10.25
TRW 8⅞ March 1996	92.98	10.00	92.95	10.00
Arco 9⅞ March 2016	96.95	10.25	94.80	10.45
General Motors 8⅞ April 2016	80.44	10.25	78.94	10.45
Citicorp 9⅞ March 2016	87.07	10.85	87.07	10.85

Source: Salomon Brothers

* Latest available figures